

**CITY OF LIBERTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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## FINANCIAL SECTION

SWAIM, BRENTS & ASSOCIATES, P.C.  
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Liberty, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Texas, as of September 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension plan information on pages 3 through 11 and 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2021, on our consideration of the City of Liberty, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Swaim, Brents & Associates, P.C.*

Swaim, Brents & Associates, P.C.  
Liberty, Texas  
February 24, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the City of Liberty, Texas (the City) presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

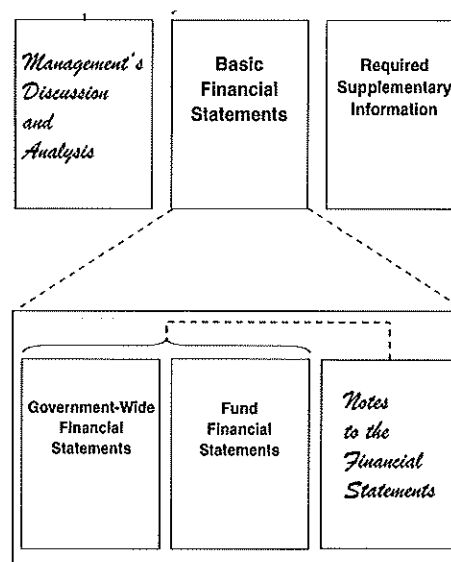
- The City's total combined net position was \$79.4 million at September 30, 2020, compared to \$70.9 million at September 30, 2019.
- Revenues for 2020 were \$32.2 million compared to \$33.0 million in 2019. Charges for electrical services decreased \$2.0 million, primarily due to a single commercial customer. Other charges for services remained consistent with prior year. Property tax revenues increased \$0.2 million (4.9%) over 2019 and the City also received \$0.4 million in payments in lieu of taxes in 2020. Revenues include \$1.2 million in grants consistent to the amounts received in 2019. The grant revenues in 2020 include Covid relief funds of \$0.5 million, and FEMA funds of \$0.3 million stemming from the 2016 flood disaster. Other revenues include \$1.2 million for recovery of costs related to the library construction and repairs.
- During the year ended September 30, 2020, the City's total expenses were \$29.7 million compared to \$30.4 million in 2019. Governmental expenses in 2020 included \$0.3 million for disaster recovery expenses associated with storms and Covid-19. For 2020, the electrical fund expenses decreased \$1.3 million as a result of lower demand. Other proprietary fund expenses remained consistent with 2019.
- The general fund reported a fund balance of \$5.0 million at September 30, 2020, compared to \$3.9 million in prior year. A large part of this increase was the \$1.2 million received for recovery of library costs.
- During 2020, the City continued with various construction projects, including sewer system and wastewater treatment plant improvements, electrical improvements and levee rehabilitation.
- As of September 30, 2020, the City has \$4.4 million in restricted cash for debt service and \$2.3 million in restricted cash remaining from the debt issuances to fund capital projects.
- During 2020, the City received \$6.0 million from SRMPA for Cambridge Project net profits, compared to \$7.0 million in 2019. This is presented as a special item in the electric fund.
- During 2020, Liberty Community Development Corporation (LCDC) funded municipal golf course improvements of \$0.3 million, and various smaller capital expenditures of the City.

### OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. Additionally, the City implemented GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred inflows and outflows of resources into the required components of the residual measure and renaming that measure as net position. The basic financial statements of the City include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements, (c) Fund Financial Statements, (d) Notes to Financial Statements; and (e) Required Supplementary Information. The basis of presentation and the basis of accounting for the government-wide and fund financial statements is discussed below:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.

Figure A-1, Required Components of the City's Annual Financial Report



- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities in the government that operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

Type of Statements	Government-wide Entire City's government (except fiduciary funds) and the City's component units	Governmental Funds The activities of the City that are not proprietary or fiduciary	Fund Statements Proprietary Funds Activities the City operates similar to private businesses & self insurance	Fiduciary Funds Instances in which the City is the trustee or agent for someone else's resources
Scope				
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, liabilities and deferred inflows and outflows of resources—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and other taxes finance most of these activities.

The government-wide financial statements of the City also include the *Business-type activities* such as electric services, water and wastewater services, and solid waste services. These services are financed through user charges.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental Funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information to the right of the governmental funds statement, that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The City's combined net position was \$79.4 million at September 30, 2020, compared to \$70.9 million at September 30, 2019. (See Table A-1).

**Table A-1**  
City's Net Position  
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentag Change
	2020	2019	2020	2019	2020	2019	2020-2019
<b>Assets:</b>							
Cash and Investments	\$7,056.6	\$6,374.1	\$22,865.5	\$18,858.7	\$29,922.1	\$25,232.8	18.6%
Cash and Investments - Restricted	4,461.1	6,570.8	2,387.2	1,856.7	6,848.3	8,427.6	-18.7%
Accounts Receivable	10.7	608.5	1,476.5	2,251.7	1,487.2	2,860.2	-48.0%
Taxes Receivable, Net	1,029.2	553.5	-	-	1,029.2	553.5	85.9%
Due from State/Federal Agencies	1,499.8	846.4	-	-	1,499.8	846.4	77.2%
Due from Other Governments	0.6	6.4	359.2	359.2	359.8	365.7	-1.6%
Prepaid Assets	-	140.1	-	-	-	140.1	-100.0%
Inventory	56.1	89.5	390.6	373.8	446.7	463.3	-3.6%
Internal Balances	357.4	119.9	(357.4)	(119.9)	-	-	-
Capital Assets, Net	36,485.5	34,503.9	28,531.3	27,787.7	65,016.8	62,291.5	4.4%
<b>Total Assets</b>	<b>50,957.0</b>	<b>49,813.1</b>	<b>55,652.9</b>	<b>51,367.9</b>	<b>\$106,609.9</b>	<b>\$101,181.</b>	<b>5.4%</b>
<b>Deferred Outflows of Resources</b>	<b>1,185.6</b>	<b>1,385.7</b>	<b>209.2</b>	<b>247.4</b>	<b>1,394.8</b>	<b>1,633.1</b>	<b>-14.6%</b>
<b>Liabilities:</b>							
Accounts Payable	380.8	1,052.5	1,692.6	2,016.9	2,073.4	3,069.4	-32.4%
Customer Overpayments	-	-	36.2	32.0	36.2	32.0	13.3%
Payable from Restricted Assets Due to State/Federal	-	-	0.0	0.0	-	-	-100.0%
Agencies	230.7	109.7	36.3	36.2	267.0	145.9	83.0%
Accrued Interest Payable	35.8	38.6	7.4	8.2	43.2	46.8	-7.8%
Service Deposits	-	-	290.2	298.4	290.2	298.4	-2.7%
<b>Long-Term Liabilities:</b>							
Due Within One Year	1,559.0	1,480.7	664.4	644.4	2,223.4	2,125.1	4.6%
Due in More Than One Year	17,617.8	19,800.1	4,957.1	5,706.7	25,574.9	25,506.8	-11.5%
<b>Total Liabilities</b>	<b>19,824.1</b>	<b>22,481.6</b>	<b>7,684.2</b>	<b>8,742.8</b>	<b>27,508.3</b>	<b>31,224.4</b>	<b>-11.9%</b>
<b>Deferred Inflows of Resources</b>	<b>992.7</b>	<b>570.5</b>	<b>153.5</b>	<b>91.2</b>	<b>1,146.2</b>	<b>661.7</b>	<b>73.2%</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	22,967.7	21,733.1	28,526.9	27,788.5	51,494.6	49,521.6	4.0%
Restricted for Debt Service	2,649.4	2,636.4	1,784.2	1,252.7	4,433.6	3,889.1	14.0%
Restricted for Building Security and Technology	77.2	72.9	-	-	77.2	72.9	5.9%
Unrestricted	5,631.5	3,704.3	17,713.4	13,740.1	23,344.9	17,444.4	33.8%
<b>Total Net Position</b>	<b>\$31,325.8</b>	<b>\$28,146.7</b>	<b>\$48,024.5</b>	<b>\$42,781.3</b>	<b>\$79,350.3</b>	<b>\$70,928.0</b>	<b>11.9%</b>

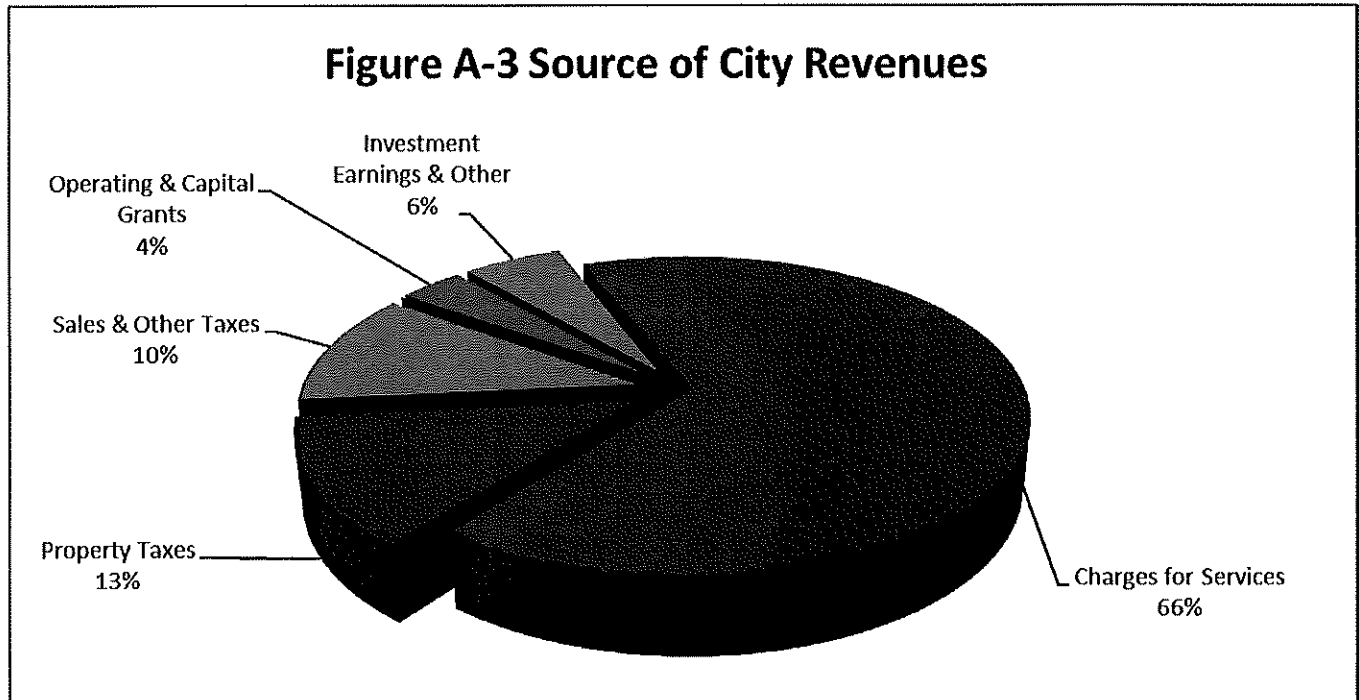
As of September 30, 2020, the City had invested \$51.5 million in capital assets, net of related debt. Approximately \$4.4 million of the City's net position are restricted for debt service. Additionally, approximately \$2.3 million remains restricted for construction projects, but as the related debt is outstanding, there is no effect on net position. The remaining unrestricted net position of \$23.3 million represents resources available to fund the programs of the City next year.

As of September 30, 2019, the City had invested \$49.5 million in capital assets, net of related debt. Approximately \$3.9 million of the City's net position were restricted for debt service. Additionally, approximately \$3.5 million remained restricted for construction projects, but as the related debt is outstanding, there is no effect on net position. The remaining unrestricted net position of \$17.4 million represents resources available to fund the programs of the City next year.

### Changes in Net Position

The City's total revenues for 2020 were \$32.2 million compared to \$33.0 million in 2019. A significant portion, 66 percent, of the City's revenue comes from charges for services. (See Figure A-3.) Other revenue sources include property taxes (13 percent), sales tax (10 percent), and grants and contributions (4 percent). The total cost of all programs and services was \$29.7 million; 49 percent of these costs are electric services and 10 percent are for water and wastewater services. Police department expenses and fire department expenses each accounted for 9 percent of total expenses.

The City's total revenues for 2019 were \$33.0 million compared to \$31.9 million in 2018. A significant portion, 71 percent, of the City's revenue came from charges for services. Other revenue sources included property taxes (12 percent), sales tax (10 percent), and grants and contributions (4 percent). The total cost of all programs and services was \$30.4 million; 52 percent of these costs were for electric services, 9 percent were for water and wastewater services, 2 percent were for library and 3 percent were for streets and general maintenance. Police department expenses and fire department expenses accounted for 9 percent and 8 percent, respectively, of total expenses.



**Table A-2**  
Changes in the City's Net Position  
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Program Revenues:							
Charges for Services -							
Governmental Activities	\$1,736.5	\$1,858.4	-	-	\$1,736.5	\$1,858.4	-6.6%
Electric	-	-	\$14,743.3	\$16,704.2	14,743.3	16,704.2	-11.7%
Water and Wastewater	-	-	3,777.8	3,671.0	3,777.8	3,671.0	2.9%
Garbage	-	-	759.7	751.5	759.7	751.5	1.1%
Operating Grants and Contributions	1,165.1	1,100.7	-	117.4	1,165.1	1,218.1	-4.4%
General Revenues:							
Property Taxes	4,068.6	3,877.8	-	-	4,068.6	3,877.8	4.9%
Sales and Other Taxes	3,601.0	3,369.1	-	-	3,601.0	3,369.1	6.9%
Payments in Lieu of Taxes	438.4	523.8	-	-	438.4	523.8	-16.3%
Gain/(Loss) on Sale of Assets	107.2	(8.5)	5.4	-	112.6	(8.5)	-1,424.7%
Investment Earnings	124.6	146.2	226.9	203.8	351.5	350.0	0.4%
Other	1,416.8	709.6	-	5.3	1,416.8	714.9	98.2%
<b>Total Revenues</b>	<b>12,658.2</b>	<b>11,577.1</b>	<b>19,513.1</b>	<b>21,453.2</b>	<b>32,171.3</b>	<b>33,030.3</b>	<b>-2.6%</b>

**Table A-2 (Continued)**  
**Changes in the City's Net Position**  
*(In thousands of dollars)*

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Expenses by Functions/ Programs							
Administration Council	\$1,398.2	\$1,211.8	-	-	\$1,398.2	\$1,211.8	15.4%
Business and Support							
Services	977.2	747.3	-	-	977.2	747.3	30.8%
Economic Development	136.1	179.3	-	-	136.1	179.3	-24.1%
Public Health and Safety:							
Fire/ Emergency Medical	2,788.5	2,463.9	-	-	2,788.5	2,463.9	13.2%
Police and Court	2,692.7	2,708.6	-	-	2,692.7	2,708.5	-0.6%
Animal Control	135.2	118.1	-	-	135.2	118.1	14.5%
Library	569.1	810.6	-	-	569.1	810.6	-29.8%
Streets and General	958.7	1,028.7	-	-	958.7	1,028.7	-6.8%
Parks and Recreation	402.8	405.8	-	-	402.8	405.8	-0.7%
Inspection Services	206.9	156.6	-	-	206.9	156.6	32.1%
Golf Course	476.0	462.8	-	-	476.0	462.8	2.9%
Airport Operations	355.9	444.1	-	-	355.9	444.1	-19.9%
Disaster Recovery	323.3	-	-	-	323.3	-	100.0%
Interest on Long-Term Debt	440.9	490.2	-	-	440.9	490.2	-10.1%
Electric	-	-	\$14,429.1	\$15,797.4	14,429.1	15,797.4	-8.7%
Water and Wastewater	-	-	2,904.6	2,769.0	2,904.6	2,769.0	4.9%
Garbage	-	-	553.9	567.7	553.9	567.7	-2.4%
Total Expenses	<u>11,861.5</u>	<u>11,227.8</u>	<u>17,887.6</u>	<u>19,134.1</u>	<u>29,749.1</u>	<u>30,361.8</u>	-2.0%
Change in Net Position Before Items & Transfers	796.7	349.3	1,625.5	2,319.1	2,422.2	2,668.4	-9.2%
Special Items	-	-	6,000.0	7,000.0	6,000.0	7,000.0	-14.3%
Transfers	<u>2,382.4</u>	<u>4,077.7</u>	<u>(2,382.4)</u>	<u>(4,077.7)</u>	<u>-</u>	<u>-</u>	0.0%
Change in Net Position	<u>3,179.1</u>	<u>4,427.0</u>	<u>5,243.1</u>	<u>5,241.4</u>	<u>8,422.2</u>	<u>9,668.4</u>	-12.9%
Net Position – Beginning	<u>28,146.7</u>	<u>23,719.7</u>	<u>42,781.4</u>	<u>37,540.0</u>	<u>70,928.1</u>	<u>61,259.7</u>	15.8%
Net Position – Ending	<u>\$31,325.8</u>	<u>\$28,146.7</u>	<u>\$48,024.5</u>	<u>\$42,781.4</u>	<u>\$79,350.3</u>	<u>\$70,928.1</u>	11.9%

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11.5 million.
- The amount that our taxpayers paid for these activities was \$4.1 million in property taxes and \$3.6 million in sales and other taxes.
- The remaining funding came primarily from charges for services (\$1.7 million) and transfers from business-type activities (\$2.4 million).

**Table A-3**  
Net Cost of Selected Governmental-Type City Functions  
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change 2020-2019	2020	2019	% Change 2020-2019
Administration and City Council	\$1,398.2	\$1,211.8	15.4%	\$1,353.1	\$1,159.5	16.7%
Business and Support Services	977.2	747.3	30.8%	977.2	747.3	30.8%
Economic Development/Tourism	136.1	179.3	-24.1%	128.7	131.8	-2.4%
Public Health and Safety:						
Fire/ Emergency Medical	2,788.5	2,463.9	13.2%	1,780.8	1,400.0	27.2%
Police and Municipal Court	2,692.8	2,708.6	-0.6%	2,409.2	2,432.9	-1.0%
Animal Control	135.2	118.1	14.5%	133.8	115.8	15.5%
Library	569.1	810.6	-29.8%	550.2	786.8	-30.1%
Streets and General Maintenance	958.7	1028.7	-6.8%	958.7	1,028.7	-6.8%
Parks and Recreation	402.8	405.8	-0.7%	398.4	377.8	5.5%
Inspection Services	206.9	156.6	32.1%	105.9	119.8	-11.6%
Golf Course	476.0	462.8	2.9%	355.5	338.0	5.2%
Airport Operations	355.9	444.1	-19.9%	53.4	129.2	-58.7%
Disaster Recovery	-	-	0.0%	(1,009.2)	(989.2)	2.0%
Interest on Long-Term Debt	440.9	490.2	-10.1%	440.9	490.2	-10.1%
<b>Total</b>	<b>\$11,538.3</b>	<b>\$11,227.8</b>	<b>2.8%</b>	<b>\$8,636.6</b>	<b>\$8,268.6</b>	<b>4.5%</b>

#### Business-type Activities

Revenues of the City's business-type activities decreased \$2.0 million from 2019 to \$19.5 million, and expenses decreased \$1.3 million to \$16.8 million compared to 2019. The electric fund had lower revenues and expenses due to change in power demand. The electric fund received \$6.0 million in nonoperating revenue from the Cambridge Project. Additionally, business-type activities transferred out \$3.1 million to governmental activities. Overall, net position increased \$5.2 million consistent with 2019.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$12.2 million, an increase of \$0.5 million over 2019. Expenditures for the governmental funds were lower than prior year amounts by \$1.7 million. The decrease in expenditures was primarily due to lower capital expenditures by \$2.4 million.

#### General Fund Budgetary Highlights

The City revises its budget as needed to meet the needs of the City. General fund revenues were \$2.1 million (29%) higher than budgeted primarily due to grants and amounts received for library cost recovery. Expenditures were lower than appropriated amounts by \$0.2 million (1%). Other financing sources from transfers from other funds were \$1.1 million lower than expected. Overall, the general fund ended the year with revenues exceeding expenditures by \$1.1 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the City had invested \$134.9 million in a broad range of capital assets, including land, equipment, buildings, vehicles, utility systems and infrastructure. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$4.8 million over the prior year.

**Table A-4**  
City's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Land	\$1,500.4	\$1,500.4	\$2.6	\$2.6	\$1,503.0	\$1,503.0	0.0%
Buildings and Improvements	14,226.6	14,054.8	849.5	849.5	15,076.1	14,904.3	1.2%
Construction in Progress	11,207.9	8,835.4	6,908.2	5,524.4	18,116.1	14,359.8	26.2%
Infrastructure	54,486.3	54,430.2	4,485.7	4,485.7	58,972.0	58,915.9	0.1%
Utility Systems	-	-	30,197.3	30,197.3	30,197.3	30,197.3	0.0%
Vehicles	3,556.9	2,921.6	408.9	408.9	3,965.8	3,330.5	19.1%
Furniture and Equipment	5,312.4	4,913.3	1,739.1	1,575.0	7,051.5	6,488.3	8.7%
Assets Held Under Capital Lease	0.0	365.0	-	-	0.0	365.0	-100.0%
Totals at Historical Cost	90,290.5	87,020.7	44,591.3	43,043.4	134,881.8	130,064.1	3.7%
Total Accumulated Depreciation	(53,805.1)	(52,516.9)	(16,060.0)	(15,255.8)	(69,865.1)	(67,772.7)	3.1%
Net Capital Assets	\$36,485.4	\$34,503.8	\$28,531.3	\$27,787.6	\$65,016.7	\$62,291.4	4.4%

### Long Term Debt

At yearend, the City had \$19.9 million in debt outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

#### Bond Ratings

The City's bonds are presently rated "AA-" by Standard & Poor's Rating Services. LCDC's bonds are presently rated at "A-" by Standard & Poor's Rating Services.

**Table A-5**  
City's Long Term Debt  
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Capital Lease Obligations	-	\$11.1	-	-	-	\$11.1	-100.0%
Bonds Payable, 2007 Series	-	-	\$3,675.0	\$4,090.0	\$3,675.0	4,090.0	-10.1%
Certificates of Obligation, 2016	\$6,410.0	6,730.0	-	-	6,410.0	6,730.0	-4.8%
Certificates of Obligation, 2010A	3,200.0	3,455.0	-	-	3,200.0	3,455.0	-7.4%
Certificates of Obligation, 2012	1,220.0	1,300.0	-	-	1,220.0	1,300.0	-6.2%
Refunding Bonds, 2012	1,115.0	1,380.0	-	-	1,115.0	1,380.0	-19.2%
Utility System Bonds 2016A	-	-	540.0	630.0	540.0	630.0	-14.3%
Utility System Bonds 2016B	-	-	555.0	645.0	555.0	645.0	-14.0%
LCDL Sales Tax Bonds	2,480.0	2,610.0	-	-	2,480.0	2,610.0	-5.0%
Bond Premium	394.7	432.0	-	-	394.7	432.0	-8.6%
Bond Discount	-	-	(21.9)	(25.5)	(21.9)	(25.5)	-14.3%
LCDL Note Payable	380.4	400.6	-	-	380.4	400.6	-5.0%
Total Long Term Debt	\$15,200.1	\$16,318.7	\$4,748.1	\$5,339.5	\$19,948.2	\$21,658.1	-7.9%

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Property taxes for 2021 are expected to remain consistent with 2020 as increased appraised values were offset by a reduction in the tax rate. Tax rates are slightly lower than prior year. Overall general fund revenues are expected to increase 5.2% over 2020 levels.
- General operating fund spending in the 2020 budget is expected to be \$10.4 million, a 5.2% increase over budgeted amounts for 2020.

These indicators were taken into account when adopting the general fund budget for 2021. The 2021 budget is essentially a balanced budget. As a result fund balance in the general fund is expected to remain constant.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Financial Department.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$7,056,606	\$22,865,452	\$29,922,058
Cash and Investments – Restricted	4,461,107	2,387,233	6,848,340
Accounts Receivable, Net	10,709	1,476,513	1,487,222
Taxes Receivable, Net	1,029,231	-	1,029,231
Due From State	1,499,847	-	1,499,847
Due from Other Governments	555	359,222	359,777
Inventory	56,109	390,641	446,750
Internal Balances	357,381	(357,381)	-
Capital Assets, Net	36,485,452	28,531,264	65,016,716
<b>TOTAL ASSETS</b>	<b>50,956,997</b>	<b>55,652,944</b>	<b>106,609,941</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Interest on Refunded Debt	52,117	-	52,117
Deferred Outflows Related to Pensions	1,133,527	209,238	1,342,765
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,185,644</b>	<b>209,238</b>	<b>1,394,882</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	380,758	1,692,623	2,073,381
Customer Overpayments Payable	-	36,238	36,238
Due to State/Federal Agencies	230,724	36,325	267,049
Accrued Interest Payable	35,854	7,398	43,252
Service Deposits	-	290,173	290,173
Long-term Liabilities:			
Due Within One Year	1,558,992	664,362	2,223,354
Due In More Than One Year	17,617,777	4,957,066	22,574,843
<b>TOTAL LIABILITIES</b>	<b>19,824,105</b>	<b>7,684,185</b>	<b>27,508,290</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows Related to Pension	992,689	153,531	1,146,220
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>992,689</b>	<b>153,531</b>	<b>1,146,220</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	22,967,733	28,526,880	51,494,613
Restricted for Debt Service	2,649,395	1,784,219	4,433,614
Restricted for Building Security and Technology	77,256	-	77,256
Unrestricted	5,631,463	17,713,367	23,344,830
<b>TOTAL NET POSITION</b>	<b>\$31,325,847</b>	<b>\$48,024,466</b>	<b>\$79,350,313</b>

The accompanying notes are an integral part of this statement.



**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Government Activities:				
Administration	\$1,398,185	\$45,100	-	-
Business and Support Services	977,204	-	-	-
Economic Development/Tourism	136,077	286	\$7,050	-
Public Health and Safety:				
Fire/EMS	2,788,504	945,359	62,326	-
Police	2,507,721	65,219	19,696	-
Municipal Court	185,048	197,678	956	-
Animal Control	135,206	250	1,175	-
Library	569,123	4,718	14,181	-
Streets	875,321	-	-	-
Maintenance	83,412	-	-	-
Parks and Recreation	402,760	4,066	327	-
Inspection Services	206,941	101,047	-	-
Airport Operations	355,871	252,302	50,144	-
Golf Course	475,954	120,467	-	-
Disaster Recovery	323,316	-	1,009,219	-
Interest on Long-term Debt	440,931	-	-	-
Total Governmental Activities	11,861,574	1,736,492	1,165,074	-
Business-Type Activities:				
Electric	14,429,064	14,743,311	-	-
Water and Wastewater	2,904,621	3,777,847	-	-
Solid Waste	553,912	759,670	-	-
Total Business-Type Activities	17,887,597	19,280,828	-	-
Totals	\$29,749,171	\$21,017,320	\$1,165,074	-

General Revenues  
Property Taxes Levied For:  
General Purposes  
Debt Service  
Sales Tax  
Other Taxes  
Payments in Lieu of Taxes  
Gain/loss on Sale of Assets  
Miscellaneous Income  
Investment Income  
Total General Revenues  
  
Special Items  
Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$(1,353,085)	-	\$(1,353,085)
(977,204)	-	(977,204)
(128,741)	-	(128,741)
(1,780,819)	-	(1,780,819)
(2,422,806)	-	(2,422,806)
13,586	-	13,586
(133,781)	-	(133,781)
(550,224)	-	(550,224)
(875,321)	-	(875,321)
(83,412)	-	(83,412)
(398,367)	-	(398,367)
(105,894)	-	(105,894)
(53,425)	-	(53,425)
(355,487)	-	(355,487)
685,903	-	685,903
(440,931)	-	(440,931)
(8,960,008)	-	(8,960,008)
-	\$314,247	314,247
-	873,226	873,226
-	205,758	205,758
-	1,393,231	1,393,231
(8,960,008)	1,393,231	(7,566,777)
2,601,992	-	2,601,992
1,466,588	-	1,466,588
3,348,920	-	3,348,920
252,128	-	252,128
438,424	-	438,424
107,178	5,412	112,590
1,416,885	-	1,416,885
124,556	226,906	351,462
9,756,671	232,318	9,988,989
-	6,000,000	6,000,000
2,382,434	(2,382,434)	-
3,179,097	5,243,115	8,422,212
28,146,750	42,781,351	70,928,101
\$31,325,847	\$48,024,466	\$79,350,313

**CITY OF LIBERTY, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	General Fund	Liberty Community Development Corporation	Debt Service Funds	
			City of Liberty	LCDC
<b><u>ASSETS</u></b>				
Cash and Investments	\$3,822,533	\$2,592,797	-	-
Cash and Investments – Restricted	77,256	-	\$2,339,009	\$306,942
Accounts Receivable, Net	10,582	-	-	-
Taxes Receivable – Delinquent	774,082	-	736,293	-
Less: Allowance for Uncollectible Taxes	(246,591)	-	(234,553)	-
Due from State/Federal Agencies	1,009,217	213,491	-	-
Due from Other Governments	555	-	-	-
Inventory	56,109	-	-	-
Interfund Receivable	556,438	2,251	34,712	-
<b>TOTAL ASSETS</b>	<b>6,060,181</b>	<b>2,808,539</b>	<b>2,875,461</b>	<b>306,942</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	-	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$6,060,181</b>	<b>\$2,808,539</b>	<b>\$2,875,461</b>	<b>\$306,942</b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$259,405	-	-	-
Due to State/Federal Agencies	228,929	-	-	-
Interfund Payable	50,084	\$38,000	-	-
<b>TOTAL LIABILITIES</b>	<b>538,418</b>	<b>38,000</b>	<b>-</b>	<b>-</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Taxes Revenue	518,856	-	\$497,154	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>518,856</b>	<b>-</b>	<b>497,154</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>				
Restricted Fund Balances:				
Debt Service	-	-	2,378,307	\$306,942
Capital Projects	-	-	-	-
Building Security and Technology	77,256	-	-	-
Committed Fund Balance	89,993	2,770,539	-	-
Assigned	982,342	-	-	-
Unassigned	3,853,316	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>5,002,907</b>	<b>2,770,539</b>	<b>2,378,307</b>	<b>306,942</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$6,060,181</b>	<b>\$2,808,539</b>	<b>\$2,875,461</b>	<b>\$306,942</b>

The accompanying notes are an integral part of this statement.

<u>Capital Projects Fund (CO 2016)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	\$641,276	\$7,056,606
\$1,687,711	50,189	4,461,107
-	127	10,709
-	-	1,510,375
-	-	(481,144)
-	277,139	1,499,847
-	-	555
-	-	56,109
-	97,509	690,910
<u>1,687,711</u>	<u>1,066,240</u>	<u>14,805,074</u>

-	-	-
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<u>\$1,687,711</u>	<u>\$1,066,240</u>	<u>\$14,805,074</u>
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\$5,330	\$116,023	\$380,758
-	1,795	230,724
-	245,445	333,529
<u>5,330</u>	<u>363,263</u>	<u>945,011</u>

-	-	1,016,010
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-	-	1,016,010
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-	-	2,685,249
1,682,381	-	1,682,381
-	-	77,256
-	702,977	3,563,509
-	-	982,342
-	-	3,853,316
<u>1,682,381</u>	<u>702,977</u>	<u>12,844,053</u>

<u>\$1,687,711</u>	<u>\$1,066,240</u>	<u>\$14,805,074</u>
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**CITY OF LIBERTY, TEXAS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND**  
**BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2020**

TOTAL GOVERNMENTAL FUND BALANCES	\$12,844,053
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Amounts reported for governmental activities in the  
Statement of Net Position (SNP) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,485,452
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Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,016,010
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Payables for debt principal which was not due in the current period are not reported in the funds.	(14,805,389)
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Payables for debt interest which are not due in the current period are not reported in the funds.	(35,854)
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The premium paid for bond issuance is income in the funds when incurred but are deferred and amortized in the SNP.	(394,711)
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Payables for compensated absences which are not due in the current period are not reported in the funds.	(452,977)
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Liability for pension obligation is not reported in the funds.	(3,523,692)
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Deferred outflows and inflows of resources related to pensions are not reported in the funds.	140,838
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Interest on advance refunding of debt is expensed in the funds but deferred and amortized in the SNP.	52,117
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$31,325,847</u>
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The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	General	Liberty Community Development Corporation	Debt Service Funds	
			City of Liberty	LCDC
<b>REVENUES:</b>				
Ad Valorem Taxes	\$2,321,948	-	\$1,271,226	-
Sales Tax	2,234,263	\$1,114,657	-	-
Other Taxes	207,027	-	-	-
Payments in Lieu of Taxes	438,424	-	-	-
Fines & Forfeitures	197,468	-	-	-
Investment Income	25,790	24,015	21,831	\$2,932
Licenses, Fees & Rents	1,083,229	-	-	-
Intergovernmental Transfers & Grants	962,416	-	-	-
Donations	19,181	-	-	-
Sale of Assets	70,578	-	-	-
Other Revenues & Receipts	1,578,923	-	-	-
<b>TOTAL REVENUES</b>	<b>9,139,247</b>	<b>1,138,672</b>	<b>1,293,057</b>	<b>2,932</b>
<b>EXPENDITURES:</b>				
Administration	1,366,553	-	-	-
Business & Support Services	963,215	-	-	-
Economic Development / Tourism	-	112,033	-	-
Public Health & Safety:				
Fire/EMS	2,455,367	-	-	-
Police	2,335,852	-	-	-
Municipal Court	182,158	-	-	-
Animal Control	135,022	-	-	-
Library	454,153	-	-	-
Streets	666,652	-	-	-
Maintenance	86,367	-	-	-
Parks & Recreation	284,178	-	-	-
Inspection Services	193,500	-	-	-
Airport Operations	-	-	-	-
Golf Course	-	-	-	-
Disaster Recovery	323,316	-	-	-
Capital Expenditures	879,689	-	-	-
Debt Service: Principal	10,827	20,193	920,000	130,000
Interest & Fees	-	15,656	365,805	99,513
<b>TOTAL EXPENDITURES</b>	<b>10,336,849</b>	<b>147,882</b>	<b>1,285,805</b>	<b>229,513</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(1,197,602)</b>	<b>990,790</b>	<b>7,252</b>	<b>(226,581)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	2,322,579	44,898	-	229,513
Operating Transfers Out	(71,387)	(718,613)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,251,192</b>	<b>(673,715)</b>	<b>-</b>	<b>229,513</b>
Net Change In Fund Balances	1,053,590	317,075	7,252	2,932
Fund Balances, Beginning of Year	3,949,317	2,453,464	2,371,055	304,010
Fund Balances, End of Year	\$5,002,907	\$2,770,539	\$2,378,307	\$306,942

The accompanying notes are an integral part of this statement.

Capital Projects Fund (CO 2016)	Other Governmental Funds	Total Governmental Funds
-	-	\$3,593,174
-	-	3,348,920
-	\$45,101	252,128
-	-	438,424
-	4,569	202,037
\$35,819	14,169	124,556
-	68,214	1,151,443
-	160,454	1,122,870
-	20,604	39,785
-	-	70,578
-	304,841	1,883,764
35,819	617,952	12,227,679
-	-	1,366,553
-	-	963,215
-	18,459	130,492
-	-	2,455,367
-	7,401	2,343,253
-	-	182,158
-	-	135,022
-	18,477	472,630
-	-	666,652
-	-	86,367
-	-	284,178
-	-	193,500
-	220,624	220,624
-	427,928	427,928
-	-	323,316
1,335,585	1,344,372	3,559,646
-	-	1,081,020
-	-	480,974
1,335,585	2,037,261	15,372,895
(1,299,766)	(1,419,309)	(3,145,216)
-	1,148,695	3,745,685
(565,793)	(7,458)	(1,363,251)
(565,793)	1,141,237	2,382,434
(1,865,559)	(278,072)	(762,782)
3,547,940	981,049	13,606,835
\$1,682,381	\$702,977	\$12,844,053

**CITY OF LIBERTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$(762,782)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	3,596,247
Loss on disposition of capital assets in the SOA is not reported in the funds.	(36,600)
The depreciation of capital assets used in the governmental activities are not reported in the funds.	(1,544,680)
Interest paid for advance refunding of bonds is expensed in the funds but is deferred and amortized in the SNP. This is the change in amounts this year.	(13,029)
Premium received with bond issuance is revenue in the Funds, but is deferred and amortized in the SNP. This is the change in these amounts this year.	37,259
Certain property taxes are deferred inflows in the funds. This is the change in these amounts this year.	475,406
Interest is not expensed until paid in the funds but is expensed when incurred in the SOA. This is the change in these amounts this year.	2,785
Payables for compensated absences which were not due in the current period are not reported in the funds. This is the change in these amounts this year.	(54,562)
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	1,081,021
Change in net pension obligation and deferred outflows related to pensions are not reported as expenses in the SOA.	<u>398,032</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$3,179,097</u>

The accompanying notes are an integral part of this statement.



**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	Business-Type Activities – Enterprise Funds			
	Electric	Water and Wastewater	Solid Waste	Total
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS:</u></b>				
Cash and Investments	\$21,620,160	\$1,072,388	\$172,904	\$22,865,452
Cash and Investments – Restricted	-	2,387,233	-	2,387,233
Accounts Receivable, Net	1,183,282	238,048	55,183	1,476,513
Inventory	290,128	100,513	-	390,641
Due from Other Governments	-	359,222	-	359,222
Due from Other Funds	-	3,915	-	3,915
<b>TOTAL CURRENT ASSETS</b>	<b>23,093,570</b>	<b>4,161,319</b>	<b>228,087</b>	<b>27,482,976</b>
Property, Plant and Equipment	14,848,580	29,742,712	-	44,591,292
Less: Allowance For Depreciation	(4,712,123)	(11,347,905)	-	(16,060,028)
Net Property, Plant and Equipment	10,136,457	18,394,807	-	28,531,264
<b>TOTAL ASSETS</b>	<b>33,230,027</b>	<b>22,556,126</b>	<b>228,087</b>	<b>56,014,240</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Outflows Related to Pensions	78,892	130,346	-	209,238
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>78,892</b>	<b>130,346</b>	<b>-</b>	<b>209,238</b>
<b><u>LIABILITIES</u></b>				
<b><u>CURRENT LIABILITIES:</u></b>				
Accounts Payable	1,609,998	41,296	41,329	1,692,623
Customer Overpayments Payable	36,238	-	-	36,238
Due to State/Federal Agencies	30,646	-	5,679	36,325
Due to Other Funds	266,093	92,952	2,251	361,296
Accrued Interest Payable	-	7,398	-	7,398
Service Deposits	253,758	36,210	205	290,173
Current Maturities of Long-term Liabilities	25,693	638,669	-	664,362
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,222,426</b>	<b>816,525</b>	<b>49,464</b>	<b>3,088,415</b>
Long-term Liabilities, net of Current Portion	342,646	4,614,420	-	4,957,066
<b>TOTAL LIABILITIES</b>	<b>2,565,072</b>	<b>5,430,945</b>	<b>49,464</b>	<b>8,045,481</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Inflows Related to Pensions	59,774	93,757	-	153,531
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>59,774</b>	<b>93,757</b>	<b>-</b>	<b>153,531</b>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	10,136,457	18,390,423	-	28,526,880
Restricted for Debt Service	-	1,784,219	-	1,784,219
Unrestricted (Deficit)	20,547,616	(3,012,872)	178,623	17,713,367
<b>TOTAL NET POSITION</b>	<b>\$30,684,073</b>	<b>\$17,161,770</b>	<b>\$178,623</b>	<b>\$48,024,466</b>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**Business-Type Activities – Enterprise Funds**

	<u>Electric</u>	<u>Water and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>OPERATING REVENUES:</u></b>				
Charges for Services, Net	\$14,743,311	\$3,777,847	\$759,670	\$19,280,828
Investment Income	193,273	30,181	3,452	226,906
Grant Income	-	-	-	-
Other Income	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>14,936,584</b>	<b>3,808,028</b>	<b>763,122</b>	<b>19,507,734</b>
<b><u>OPERATING EXPENSES:</u></b>				
Power Purchases	14,040,475	-	-	14,040,475
Purchased Power Rebate	(1,098,869)	-	-	(1,098,869)
Personnel Costs	321,528	620,585	-	942,113
Distribution Supplies and Contracts	7,487	120,181	553,912	681,580
Maintenance and Repairs	973,246	768,430	-	1,741,676
Other Charges and Services	17,372	419,846	-	437,218
Interest Expense	-	105,531	-	105,531
<b>TOTAL OPERATING EXPENSES</b>	<b>14,261,239</b>	<b>2,034,573</b>	<b>553,912</b>	<b>16,849,724</b>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>675,345</b>	<b>1,773,455</b>	<b>209,210</b>	<b>2,658,010</b>
<b>LESS: Depreciation and Amortization</b>	<b>(167,825)</b>	<b>(870,048)</b>	<b>-</b>	<b>(1,037,873)</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>507,520</b>	<b>903,407</b>	<b>209,210</b>	<b>1,620,137</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
SRMPA - Cambridge Distribution	6,000,000	-	-	6,000,000
Gain (Loss) on Sale of Assets	-	5,412	-	5,412
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>6,000,000</b>	<b>5,412</b>	<b>-</b>	<b>6,005,412</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>6,507,520</b>	<b>908,819</b>	<b>209,210</b>	<b>7,625,549</b>
Operating Transfers In	-	702,282	-	702,282
Operating Transfers Out	(1,748,782)	(1,064,434)	(271,500)	(3,084,716)
<b>CHANGES IN NET POSITION</b>	<b>4,758,738</b>	<b>546,667</b>	<b>(62,290)</b>	<b>5,243,115</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>25,925,335</b>	<b>16,615,103</b>	<b>240,913</b>	<b>42,781,351</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$30,684,073</b>	<b>\$17,161,770</b>	<b>\$178,623</b>	<b>\$48,024,466</b>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Business-Type Activities – Enterprise Funds			
	Electric	Water & Wastewater	Solid Waste	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash Received from Customers	\$15,484,856	\$3,803,881	\$763,268	\$20,052,005
Cash Received from Suppliers for Rebate	1,098,869	-	-	1,098,869
Cash Paid to Suppliers for Goods and Services	(15,125,836)	(1,319,564)	(559,012)	(17,004,412)
Cash Paid to Employees for Services	(322,914)	(657,047)	-	(979,961)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,134,975	1,827,270	204,256	3,166,501
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>				
Transfers to General Fund	(465,836)	(1,054,170)	(271,500)	(1,791,506)
Grant Income	-	-	-	-
Operating Transfers - Other	(1,282,946)	692,018	-	(590,928)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(1,748,782)	(362,152)	(271,500)	(2,382,434)
<b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u></b>				
Interest on Debt Paid	-	(102,664)	-	(102,664)
Principal Payments on Debts	-	(595,000)	-	(595,000)
Proceeds on Disposition of Assets	-	5,412	-	5,412
Acquisition of Capital Assets	(1,382,840)	(398,649)	-	(1,781,489)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,382,840)	(1,090,901)	-	(2,473,741)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Cambridge Revenue	6,000,000	-	-	6,000,000
Interest on Cash and Investments	193,273	30,181	3,452	226,906
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,193,273	30,181	3,452	6,226,906
NET INCREASE (DECREASE) IN CASH	4,196,624	404,398	(63,792)	4,537,230
CASH & INVESTMENTS, BEGINNING OF YEAR	17,423,536	3,055,223	236,696	20,715,455
<b><u>CASH &amp; INVESTMENTS, END OF YEAR</u></b>	<b>\$21,620,160</b>	<b>\$3,459,621</b>	<b>\$172,904</b>	<b>\$25,252,685</b>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

Reconciliation of Income before Transfers to Net Cash Provided (Used) by Operating Activities:

Income Before Transfers	\$6,507,520	\$908,819	\$209,210	\$7,625,549
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities -				
Depreciation and Amortization	167,825	870,048	-	1,037,873
Nonoperating Income	(6,000,000)	-	-	(6,000,000)
Investment Income	(193,273)	(30,181)	(3,452)	(226,906)
Gain on Sale of Assets	-	(5,412)	-	(5,412)
Interest Expense	-	105,531	-	105,531
(Increase) Decrease in:				
Accounts Receivable	742,208	29,359	3,598	775,165
Inventory	(16,807)	-	-	(16,807)
Due from Other Funds	200,210	(102,169)	-	98,041
Due from Other Governments	-	-	-	-
Prepaid Assets	-	-	-	-
Increase (Decrease) in:				
Accounts Payable	(316,842)	(1,890)	(5,537)	(324,269)
Customer Overpayments	4,279	-	-	4,279
Due to State/Federal Agencies	(366)	-	513	147
Due to Other Funds	46,549	92,952	(76)	139,425
Service Deposits	(4,942)	(3,325)	-	(8,267)
Compensated Absences Payable	8,221	6,786	-	15,007
Pension Items	(9,607)	(43,248)	-	(52,855)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$1,134,975</b>	<b>\$1,827,270</b>	<b>\$204,256</b>	<b>\$3,166,501</b>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

<b><u>ASSETS</u></b>	<b>Employees Pension <u>Trust Fund</u></b>
Investments, at Fair Value:	
Growth & Income Fund	\$1,956
Money Market Fund	84
Bond Fund	247
Balanced Fund	1,062
Fixed Income Account	53,126
Foreign Equity Portfolio Fund	722
Equity – Income Portfolio Fund	1,892
Growth Portfolio Fund	<u>1,549</u>
<b>TOTAL ASSETS</b>	<b><u>\$60,638</u></b>
<b><u>NET POSITION</u></b>	
Net Position of Assets Held In Trust For Pension Benefits	<u>\$60,638</u>
<b>TOTAL NET POSITION</b>	<b><u>\$60,638</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Employees Pension Trust Fund
<b><u>ADDITIONS:</u></b>	
Investment Income (Loss), Including Appreciation or Depreciation in Fair Value of Investments	<u>\$1,903</u>
<b>TOTAL</b>	<u>1,903</u>
<b><u>DEDUCTIONS:</u></b>	
Withdrawals	<u>-</u>
<b>TOTAL</b>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	1,903
Net Position – Beginning of Year	<u>58,735</u>
Net Position – End of Year	<u>\$60,638</u>

The accompanying notes are an integral part of this statement.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Liberty, Texas (the City) is a Home Rule City which operates under a City Charter adopted by the voters in 1958. The Charter provides for a Council – Manager form of government comprised of a mayor and six council members. It is the Council's responsibility to appoint a City Manager who is the chief administrative and executive officer of the City.

The City's major operations include public safety, fire protection, emergency medical services, parks and recreation, library, and general administrative services. Additionally, the City operates utility funds for the provision of utilities, including electric, water and wastewater, and solid waste services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity –**

For financial reporting purposes, the City includes all funds, agencies and boards that are controlled by or dependent on the City Council. Control or dependence is determined on the basis of control of the governing board, budget adoption, taxing authority, and responsibility for debts or deficits.

The accompanying financial statements include those of the City of Liberty (the primary government) and its component unit. The Liberty Community Development Corporation (the Corporation), an entity legally separate from the City, is a non-profit industrial development corporation whose purpose is to promote economic development within the City. The Corporation is governed by a seven-member board that is appointed by the City Council. The budget, policies and directives of the Corporation are subject to approval by the City Council. Therefore, the Corporation is reported as if it were part of the City's operations, and is included in the financial reporting entity as a blended component unit. Its financial activity is reported as a major special revenue fund, a debt service fund and a capital projects fund in the accompanying financial statements. There are no other entities that should be included in the City's reporting entity because of significant operational or financial relationships to the City.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**Government-Wide Statements:** The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to

CITY OF LIBERTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self financing or draws from the general revenues of the City.

**Fund Financial Statements:** Fund financial statements report detailed information about the City. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**Governmental Fund Types:** All governmental funds are reported using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. The funds included in this category are as follows:

*General Fund* – This fund is the general operating fund of the City and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

*Special Revenue Funds* – These funds are established to account for the proceeds of specific revenue sources other than assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* – This fund is used to account for the accumulation of resources for, and the payment of, all general obligation indebtedness not serviced by the proprietary funds.

*Capital Projects Funds* – These funds are used to account for all major capital expenditures not financed by the proprietary or trust funds.

**Proprietary Fund Types:** All proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the City's proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's funds included in this category are the utility funds and an internal service fund. Utility funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the Council is that the cost of providing certain goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges for those services. Utility funds for the City consist of the Electric Fund, Water and Wastewater Fund, and Solid Waste Fund.



**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary Fund Types:** Fiduciary fund statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. These fund types account for assets held by the City as a trustee or agent for individuals, organizations, and other units of governments. The City currently has one fiduciary fund, the Pension Trust Fund. This fund was established to provide pension benefits for City employees. The principal revenue source for this fund is earnings from investments. The assets of this fund and results of operations have not been combined with other funds of the City in the accompanying financial statements. (See Note 9).

**C. Use of Estimates –**

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental entities, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Budgets and Budgetary Accounting –**

Prior to September 30, of each year, the City adopts a budget for the fiscal year beginning October 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the Governmental Fund Types and all Proprietary Funds. The budget is amended by the Council as needed throughout the year.

**E. Interfund Transactions and Balances –**

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements.

**F. Cash and Investments -**

For purposes of the Statement of Cash Flows, the City considers all certificates of deposit with a maturity of one year or less when issued to be cash equivalents. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The city does not have investments valued at other than quoted market prices.

**G. Restricted Cash and Investments–**

As of September 30, 2020, the City had cash and investments restricted as follows:

	<u>Restricted</u>
Cash Restricted for Debt Service – City Governmental	\$2,339,009
Cash Restricted for Debt Service – LCDC Governmental	306,942
Cash Restricted for Debt Service – Proprietary Funds	1,791,617
Cash Restricted for Building Security & Technology	77,256
Cash and Investments from Certificates of Obligation, Series 2016, Restricted for Various Capital Projects	1,687,711
Cash from CDBG Harvey, Restricted for Recovery Projects	50,189
Cash from Bonds Payable, Series 2016 A, Restricted for Water and Wastewater Capital Projects	498,319
Cash from Bonds Payable, Series 2016 B, Restricted for Water and Wastewater Capital Projects	97,297
Total Restricted Cash	<u>\$6,848,340</u>

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Accounts Receivable –**

Accounts receivable from electric, water and wastewater, and solid waste services are presented net of allowance for doubtful accounts of \$38,353 at September 30, 2020. The change in allowance from prior year has been netted against charges for service revenue.

**I. Inventories –**

The City does not maintain significant inventories of materials and supplies in the governmental fund types, except for street department materials. Inventories of materials and supplies are maintained for the proprietary funds. The inventory of each fund is recorded at cost (first-in, first-out basis), which is lower than market.

**J. Capital Assets and Depreciation –**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is specifically identified by function with general assets being allocated based on a percentage of governmental functional expenditures over total governmental expenditures.

Depreciation expense for the proprietary funds is recorded in each respective proprietary fund. The following estimated useful lives are used for calculating depreciation expense:

<u>Depreciable Life</u>	
Infrastructure	15-40
Building & improvements	15-40
System	15-40
Vehicles	5-7
Heavy equipment	5-10
Office equipment	3-5

CITY OF LIBERTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources –**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**L. Fund Balances –**

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the City Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**M. Net Position –**

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the city-wide financial statements. Net positions are classified in the following categories:

*Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Retirement Plan –**

During the fiscal year 2002 the City elected to terminate its defined contribution retirement plan and began contributing to a defined benefit retirement plan. All plan costs are funded by the City on a current basis. See additional information in Note 9.

**O. Pensions –**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

**A. Finance-Related Legal and Contractual Provisions –**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

**B. Deficit Fund Balance or Fund Net Assets of Individual Funds –**

Following are funds having deficit fund balances or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None		

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**A. Cash Deposits –**

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$28,932,555 and the bank balance was \$29,290,701. The City's cash deposits at September 30, 2020, and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments –**

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments that are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper.

The City's investments at September 30, 2020, are shown below:

<u>Investments</u>	
U. S. Treasuries:	
U. S. Treasury Bills	\$3,205,720
Certificates of Deposit	3,256,348
Certificates of Deposit	750,234
Mutual Funds:	
American Funds Capital Income Builder A	12,739
Franklin Income A	9,237
Franklin High Income A	8,937
American Funds Income Fund of America A	15,239
Federated High Income Bond Fund A #317	6,212
Equity Funds:	
American Funds Capital World Growth & Income	13,109
Franklin Templeton Rising Dividends A	17,683
Franklin Templeton Founding Allocation A	7,552
American Funds Washington Mutual A	15,143
American Funds New Perspective A	18,414
	<u>\$7,336,567</u>

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Analysis of Specific Deposit and Investment Risks –**

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

**1. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The following investments had the respective Morningstar Ratings (Morningstar 5 - highest to Morningstar 1 - lowest) at September 30, 2020.

At September 30, 2020, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Investment	Credit Rating
Mutual Funds:	
American Funds Capital Income Builder	Morningstar Rating 4
Franklin Templeton Income A	Morningstar Rating 3
Franklin Templeton High Income	Morningstar Rating 4
American Funds Income Fund of America A	Morningstar Rating 3
Federated High Income Bond Fund A #317	Morningstar Rating 4
Equity Funds:	
American Funds Capital World Growth & Income	Morningstar Rating 3
Franklin Templeton Rising Dividends	Morningstar Rating 3
Franklin Templeton Founding Allocation	Morningstar Rating 1
American Funds Washington Mutual A	Morningstar Rating 3
American Funds New Perspective A	Morningstar Rating 5

**2. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year-end, the City was not exposed to custodial credit risk.

**3. Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City was not exposed to concentration of credit risk.

**4. Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

**5. Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 4 – PROPERTY TAXES**

Taxable property within the City is subject to assessment, levy and collection of ad valorem taxes necessary to provide for the payment of general obligation indebtedness, and to support the general governmental services provided. The City's Charter adopts the provisions of Article XI, Section 5 of the Texas Constitution, which limits the tax rate that the City can levy for all purposes to \$2.50 per \$100 valuation. The total tax rate for the fiscal year ended September 30, 2020 was \$0.5851 per \$100 assessed valuation based on the total net assessed value of \$699,557,417. This includes a debt service rate of \$0.2083 per \$100 assessed valuation and a maintenance and operations rate of \$0.3768 per \$100 assessed valuation.

Taxes are levied on October 1 of each year, and are payable without penalty or interest through the following January 31. The City recognizes property tax revenue when levied to the extent that it results in current receivables. Property taxes are collected and remitted to the City by the Liberty County Tax Assessor Collector's office.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes receivable of \$481,144 at September 30, 2020 are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**NOTE 5 – DUE TO/FROM OTHER FUNDS**

As of September 30, 2020, interfund receivables and payables consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund-Fixed Asset Repl.	Electric Fund	\$219,544	Short term loan
General Fund-Fixed Asset Repl.	Water & Wastewater	92,952	Short term loan
General Fund	HMPG Flood Wall & Levee	243,810	Short term loan
General Fund	CDBG Harvey Recovery Fund	132	Short term loan
LCDC	Solid Waste	2,251	Sales tax collection
Debt Service	General Fund	34,712	Tax collection
Golf Course Fund	LCDC	38,000	Transfer funding
HMPG Flood Wall & Levee	Electric	46,549	Short term loan
Mitigation Project Fund	General Fund	12,960	Short term loan
Water & Wastewater	HMPG Flood Wall & Levee	1,503	Short term loan
Water & Wastewater	General Fund	2,412	Proceeds sale of assets
		<u>\$694,825</u>	

All amounts due are scheduled to be repaid within one year.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 6 – TRANSFERS BETWEEN FUNDS**

Transfers between funds during 2020 consisted of the following:

<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$465,836
General Fund	Electric Fund (Cambridge)	359,973
General Fund	Water & Wastewater Fund	1,054,170
General Fund	Solid Waste Fund	271,500
General Fund	LCDC Fund	171,100
	Total	<u>\$2,322,579</u>
LCDC	General Fund	\$34,634
LCDC	Water & Wastewater Fund	10,264
	Total	<u>\$44,898</u>
LCDC Debt Service Fund	LCDC Fund	<u>\$229,513</u>
Golf Course Fund	LCDC Fund	\$318,000
Golf Course Fund	Electric Fund (Cambridge)	215,393
	Total	<u>\$533,393</u>
CDBG Harvey Recovery Fund	Electric Fund (Cambridge)	<u>\$42,091</u>
Capital Projects Fund	Capital Projects Fund (CO 2016)	<u>\$529,000</u>
Library Memorial Fund	Municipal Library Trust	<u>\$7,458</u>
HMPG Flood Wall & Levee	General Fund	<u>\$23,421</u>
Mitigation Project Fund	General Fund	<u>\$13,332</u>
Water & Wastewater Fund	Capital Projects Fund (CO 2016)	\$36,793
Water & Wastewater Fund	Electric Fund (Cambridge)	665,489
	Total	<u>\$702,282</u>



**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases & Transfers	Ending Balances
<i>Governmental Activities:</i>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$1,500,440	-	-	\$1,500,440
Construction in Progress	8,835,408	\$2,372,443	-	11,207,851
Total Capital Assets Not Being Depreciated	10,335,848	2,372,443	-	12,708,291
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	14,054,834	171,737	-	14,226,571
Infrastructure	54,430,246	56,078	-	54,486,323
Vehicles	2,921,613	376,893	\$258,416	3,556,923
Furniture and Equipment	4,913,288	619,097	(219,948)	5,312,438
Assets Held Under Capital Lease	365,000	-	(365,000)	-
Total Capital Assets Being Depreciated	76,684,981	1,223,804	(326,532)	77,582,253
Less Accumulated Depreciation for:				
Buildings and Improvements	7,254,642	346,371	-	7,601,013
Infrastructure	40,510,605	377,160	-	40,887,765
Vehicles	1,319,604	332,376	128,713	1,780,693
Furniture and Equipment	3,267,882	464,440	(196,701)	3,535,621
Assets Held Under Capital Lease	164,248	24,333	(188,581)	-
Total Accumulated Depreciation	52,516,981	1,544,680	(256,568)	53,805,092
Total Capital Assets Being Depreciated, Net	24,168,000	(320,876)	(69,964)	23,777,161
Governmental Activities Capital Assets, Net	\$34,503,848	\$2,051,567	\$(69,964)	\$36,485,452

Depreciation was charged to functional expenditures as follows:

<i>Governmental Activities:</i>	
Administration	\$63,220
Business and Support Services	41,229
Economic Development	5,585
Fire /EMS	453,613
Police	281,676
Municipal Court	8,233
Animal Control	5,779
Library	105,818
Streets	234,176
Maintenance	7,891
Parks & Recreation	122,890
Inspection Services	16,468
Airport Operations	135,247
Golf	62,855
Total Depreciation Expense	\$1,544,680

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases &amp; Transfers</u>	<u>Ending Balances</u>
<b><u>Business-Type Activities:</u></b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$2,568	-	-	\$2,568
Construction in Progress	5,524,416	\$1,383,767	-	6,908,183
Total Capital Assets Not Being Depreciated	<u>5,526,984</u>	<u>1,383,767</u>	<u>-</u>	<u>6,910,751</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	849,482	-	-	849,482
System Improvements	30,197,327	-	-	30,197,327
Vehicles	408,902	-	-	408,902
Furniture and Equipment	1,575,056	397,722	\$(233,664)	1,739,117
Infrastructure	4,485,713	-	-	4,485,713
Total Capital Assets Being Depreciated	<u>37,516,480</u>	<u>397,722</u>	<u>(233,664)</u>	<u>37,680,541</u>
<i>Less Accumulated Depreciation for:</i>				
Buildings and Improvements	219,176	20,454	-	239,630
System Improvements	13,351,805	656,007	-	14,007,812
Vehicles	388,659	42,491	-	431,151
Furniture and Equipment	1,296,179	318,921	(233,664)	1,381,436
Total Accumulated Depreciation	<u>15,255,819</u>	<u>1,037,873</u>	<u>(233,664)</u>	<u>16,060,028</u>
Total Capital Assets Being Depreciated, Net	<u>22,260,661</u>	<u>(640,149)</u>	<u>-</u>	<u>21,620,513</u>
Business-type Activities Capital Assets, Net	<u>\$27,787,645</u>	<u>\$743,618</u>	<u>\$-</u>	<u>\$28,531,264</u>

Depreciation was charged to functional expenditures as follows:

<b>Business-type Activities</b>	
Water & Wastewater	\$870,048
Electric	<u>167,825</u>
Total Depreciation Expense	<u>\$1,037,873</u>

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in One Year
<b><u>Governmental Activities:</u></b>						
<b>Bonds:</b>						
Certificates of Obligation, Series 2010A (Maturing 3/1/2030)	2.0-4.0%	\$3,455,000	-	\$(255,000)	\$3,200,000	\$265,000
Tax & Revenue Certificates Of Obligation, Series 2012 (Maturing 3/1/2032)	2.0-4.0%	1,300,000	-	(80,000)	1,220,000	85,000
General Obligation Refunding Bonds, Series 2012 (Maturing 3/1/24)	2.0-2.5%	1,380,000	-	(265,000)	1,115,000	270,000
LCDC Sales Tax Bonds, Series 2014 (Maturing 3/1/2034)	3.0-4.0%	2,610,000	-	(130,000)	2,480,000	135,000
Certificates of Obligation, Series 2016 (Maturing 3/1/2036)	2.0-3.0%	6,730,000	-	(320,000)	6,410,000	330,000
Bond Premium		431,969	-	(37,258)	394,711	-
<b>Total Bonds</b>		<b>15,906,969</b>	<b>-</b>	<b>(1,087,258)</b>	<b>14,819,711</b>	<b>1,085,000</b>
Capital Lease-Fire Truck		12,052	-	(12,052)	-	-
LCDC Note Payable	4.0%	400,582	-	(20,193)	380,389	21,015
<b>Other Liabilities:</b>						
Compensated Absences		398,415	\$314,292	(259,730)	452,977	452,977
Net Pension Liability		4,562,760	-	(1,039,068)	3,523,692	-
<b>Total Governmental Activities</b>		<b>\$21,280,778</b>	<b>\$314,292</b>	<b>\$(2,418,301)</b>	<b>\$19,176,769</b>	<b>\$1,558,992</b>
<b><u>Business-type Activities:</u></b>						
<b>Bonds:</b>						
Tax & Revenue Certificates of Obligation, Series 2007 (Maturing 3/1/28)	1.9- 2.55%	\$4,090,000	-	\$(415,000)	\$3,675,000	\$420,000
Utility System Revenue Bonds, Series 2016A (Maturing 3/1/26)	0.0- 0.94%	630,000	-	(90,000)	540,000	90,000
Utility System Revenue Bonds, Series 2016B (Maturing 3/1/26)	0.0- 0.89%	645,000	-	(90,000)	555,000	90,000
Bond Discount		(25,538)	-	3,648	(21,890)	-
		<b>5,339,462</b>	<b>-</b>	<b>(591,352)</b>	<b>4,748,110</b>	<b>600,000</b>
<b>Other Liabilities:</b>						
Compensated Absences		49,355	\$52,352	(37,345)	64,362	64,362
Net Pension Liability		962,241	-	(153,287)	808,954	-
<b>Total Business-type Activities</b>		<b>\$6,351,058</b>	<b>\$52,352</b>	<b>\$(781,984)</b>	<b>\$5,621,426</b>	<b>\$664,362</b>

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8 – LONG TERM LIABILITIES (CONTINUED)**

**Governmental Activity Bonds and Certificates of Obligation**

General obligation bonds and certificates are serviced by the debt service fund. The amount of long-term debt that can be incurred by the City is not limited by state statute or the City's Home Rule Charter. The only limitation would be the overall tax rate limitation of \$2.50 per \$100 assessed valuation. Bond covenants for the general obligation bonds and certificates of obligation require the City to levy a tax sufficient to pay the current interest and principal of the debt. During the current year, the City was in compliance with these bond covenants. Principal and interest requirements to retire the City's general long-term bonds and certificates of obligation are as follows as of September 30, 2020:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2021	\$950,000	\$335,580	\$1,285,580
2022	980,000	305,943	1,285,943
2023	1,010,000	274,630	1,284,630
2024	1,035,000	242,455	1,277,455
2025	775,000	212,530	987,530
2026-2030	4,275,000	671,884	4,946,884
2031-2035	2,450,000	176,903	2,626,903
2036	470,000	4,935	474,935
<b>Total</b>	<b>\$11,945,000</b>	<b>\$2,224,860</b>	<b>\$14,169,860</b>

In October, 2012, the City issued \$2.7 million General Obligation Refunding Bonds, Series 2012. The bonds were issued to effect an advance refunding of a substantial portion of the Certificates of Obligation, Series 2004. The proceeds from the issuance were placed with a trustee such that funds would be available to pay the debt on the refunding date. As such, the debt is considered defeased and is no longer considered a liability of the City. In accordance with GASB Statement No. 65, the amount placed with the trustee that represents interest on the refunded debt has been deferred in the governmental activities statement of net position and amortized to expense over the term of the new debt issued.

In April, 2012, the City issued \$1.75 million Tax and Revenue Certificates of Obligation, Series 2012. The funds will be utilized to construct, improve and equip certain municipal buildings including the police station, cultural center and public works. The bonds are to be paid from a tax levy on appraised property in the city. The bonds are further secured by surplus revenues of the water and sewer system of the City.

In September, 2010, the City issued General Obligation Refunding Bonds, Series 2010 of \$3.1 million and refunded both the Tax Anticipation Notes of \$975 thousand that had been issued earlier in the year and the General Obligation Refunding Bonds, Series 1998. The interest rate on the Series 2010 bonds is lower than both of the debt issuances that were refunded. Additionally, in September, 2010, the City issued Certificates of Obligation, Series 2010A of \$4.7 million. The purpose of the Series 2010A issuance is to provide funding for the various capital needs of the City.

In October, 2016, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2016 of \$7.655 million. The funds will be utilized to construct, improve and repair various fixed assets of the City. The bonds are to be paid from a tax levy on appraised property in the City. The bonds are further secured by surplus revenues of the water and sewer system of the City. The remaining proceeds of the debt issuance are reflected as restricted as of September 30, 2020.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8 – LONG TERM LIABILITIES (CONTINUED)**

In March, 2014, the LCDC issued Sales Tax Revenue Bonds, Series 2014 of \$3.215 million for a street construction project within the City of Liberty. The bonds will be paid from the one-half cent sales tax collected each year. Principal and interest requirements to retire LCDC's long-term bonds are as follows as of September 30, 2020:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2021	\$135,000	\$94,213	\$229,213
2022	145,000	88,613	233,613
2023	150,000	83,275	233,275
2024	155,000	78,319	233,319
2025	160,000	73,000	233,000
2026-2030	885,000	268,813	1,153,813
2031-2034	850,000	73,700	923,700
<b>Total</b>	<b>\$2,480,000</b>	<b>\$759,933</b>	<b>\$3,239,933</b>

**Governmental Activities Notes Payable**

During July, 2014, LCDC financed the purchase of a fire truck for the City of Liberty by issuing a note payable through Houston Galveston Area Council on Governments. The note will be paid back utilizing sales tax revenue of LCDC. The future debt service requirements on the note are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2021	\$21,015	\$14,833	\$35,848
2022	21,872	13,977	35,849
2023	22,762	13,086	35,848
2024	23,690	12,158	35,848
2025	24,655	11,193	35,848
2026-2030	139,187	40,055	179,242
2031-2034	127,208	10,213	137,421
<b>Total</b>	<b>\$380,389</b>	<b>\$115,515</b>	<b>\$495,904</b>

**Business-type Activities Bonds and Certificates of Obligation**

The City also has debt obligations in the proprietary funds. That debt will be paid from the net revenues of the utility systems. Principal and interest requirements to retire the proprietary funds debt obligations are as follows:

<u>Water &amp; Wastewater Fund</u>			
<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2021	\$600,000	\$90,015	\$690,015
2022	610,000	80,020	690,020
2023	620,000	69,255	689,255
2024	640,000	57,646	697,646
2025	650,000	45,224	695,224
2026-2028	1,650,000	57,401	1,707,401
<b>Total</b>	<b>\$4,770,000</b>	<b>\$399,561</b>	<b>\$5,169,561</b>

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8 – LONG TERM LIABILITIES (CONTINUED)**

In April, 2016, the City issued Utility System Revenue Bonds of \$1.8 million. The Utility System Revenue Bonds, Series 2016A (\$900,000) and Series 2016B (\$915,000) were issued to fund improvements to the wastewater and water systems of the City, respectfully. The bonds will be paid from the revenues of the utility system. The remaining net proceeds from the debt issuance is reflected as restricted cash as of September 30, 2020.

**Governmental Activities Capital Leases**

During 2013, the City entered into a capital lease for the purchase of a fire truck. During fiscal year 2020, the City paid the lease in full.

**Compensated Absences**

City employees are entitled to certain compensated absences based on the length of their employment. Sick leave may be carried from one year to the next year. Employees with more than five years of service with the City will be paid for unused sick leave upon separation of employment. The amount of leave is based on their length of service with the maximum amount paid between 20 days and 60 days. Compensation for vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to two times their annual vacation days upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. Additionally, employees can accumulate up to 40 hours per year in compensation time to be used as time off from work. Accrued compensated absences at September 30, 2020, were \$517,339.

(See Note 16 - Subsequent Event for discussion of refunding bonds issued subsequent to September 30, 2020.)

**NOTE 9 – RETIREMENT PLANS**

**A. Employee Pension Plan –**

Substantially all full time employees of the City of Liberty were covered by the City of Liberty Employee Pension Plan, a qualified defined contribution retirement plan. During fiscal year 2002, the City terminated the plan. The plan was established by action of the City Council, and the City acts as plan administrator. The City funded all costs on a current basis through contributions equal to 10% of the qualifying gross salary of participating employees. No employee contributions were required for participation. The City did not incur any costs under the plan for the year ended September 30, 2020. Additionally, the City has no unfunded liabilities to the plan. Employees' interest are vested at the rate of 10% per year for the first four years of employment, and 20% per year for the next three years of employment, with 100% vesting after seven years. Due to the plan termination during 2002, the participants were allowed to rollover their vested amounts upon termination of the plan. A separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented in the accompanying financial statements.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9 – RETIREMENT PLANS (CONTINUED)**

**B. TMRS Pension Plan –**

**1. Description of Plan –**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. The TMRS defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

**2. Benefits Provided –**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit rate:	7%
Matching Ratio (City to Employee):	2 to 1
Vesting Period:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibility for the City, expressed as Age/ Years of Service is: "60/5, any age/20."

At December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	132
Active employees	<u>102</u>
	<u>279</u>

**3. Contributions –**

Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.83% and 17.48% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$935,280 and were equal to the required contributions.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9 – RETIREMENT PLANS (CONTINUED)**

**4. Net Pension Liability –**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Assumptions</u>	
	<u>12/31/19</u>
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation	2.50%
Overall payroll growth	1.95%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of experience of TMRS over a four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In connection with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:



**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9 – RETIREMENT PLANS (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

*Discount Rate*

The Discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in the Net Pension Liability*

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at 12/31/2018	\$16,075,164	\$10,550,163	\$5,525,001
Changes for the year:			
Service cost	608,445	-	608,445
Interest	1,083,968	-	1,083,968
Change in benefit terms	-	-	-
Difference between expected and actual experience	(59,406)	-	(59,406)
Changes in assumptions	17,800	-	17,800
Contributions – employer	-	877,584	(877,584)
Contributions – employee	-	343,754	(343,754)
Net investment income	-	1,631,316	(1,631,316)
Benefit payments, including refunds of employee contributions	(641,213)	(641,213)	-
Administrative expense	-	(9,216)	9,216
Other changes	-	(276)	276
Net changes	1,009,594	2,201,949	(1,192,355)
Balance at 12/31/2019	\$17,084,758	\$12,752,112	\$4,332,646

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9 – RETIREMENT PLANS (CONTINUED)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the city, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$6,603,788	\$4,322,646	\$2,455,764

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the City recognized pension expense of \$452,569. At yearend, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	\$(165,308)
Changes in actuarial assumptions	\$12,113	-
Difference between projected and actual investment earnings	606,546	(980,917)
Contributions subsequent to the measurement date	724,111	-
Total	\$1,342,770	\$(1,146,225)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$724,111 will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows)
Year Ended September 30:	
2020	\$(236,419)
2021	(123,928)
2022	16,618
2023	(183,837)
Total	\$(527,566)

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9 – RETIREMENT PLANS (CONTINUED)**

**6. Deferred Compensation Plan –**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The group plan is basically available for all full-time employees on a strictly voluntary basis. No contributions are made by the City to this plan. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by Ing Life Insurance and Annuity Company. The plan assets are held in trust for the exclusive benefits of the participants and their beneficiaries. The plan assets are not included in the financial statements of the City.

**NOTE 10 – ELECTRIC SYSTEM**

The City owns and operates a municipal electric distribution system for the benefit of its citizens. The electric distribution system consists of distribution lines, two substations (which are owned and operated by Sam Rayburn Municipal Power Agency) and interconnected transmission lines of Entergy Gulf States, which supply power to the City's system. The City furnishes electric service to its customers solely within its City limits.

The City is one of three voting members (consisting of the Cities of Liberty, Livingston, and Jasper, Texas) of the Sam Rayburn Municipal Power Agency (SRMPA). The SRMPA is a political subdivision of the State of Texas and is governed by a board of six directors, two of which are appointed by each member city.

SRMPA was formed to undertake the planning, financing, development, acquisition and operation of projects for the generation and transmission of electric power to supply the present and future needs of the member cities and the Vinton (Louisiana) Public Power Agency (the Participants). Each Participant is required by contract with SRMPA, to purchase its electrical requirements from SRMPA, and to pay liabilities under such contract as an operating and maintenance expense to its electrical system. An integral part of the bond indenture for long-term debt of SRMPA, are covenants that SRMPA will establish rates for electric power to the Participants sufficient to pay all debt service requirements (including funding of required reserves), all operating and maintenance costs of repairs and improvements. The City, as a Participant, is required to establish rates to its customers sufficient to meet its obligations to SRMPA under the exclusive power sales contract. As a result of SRMPA restructuring its debts, the City continued to receive a rebate on power costs due to overfunded debt service accounts of \$1,098,869 during 2020. This rebate is being used to defray the cost of purchased power. (See special item discussion in Note 15)

**NOTE 11 – LIBERTY COMMUNITY DEVELOPMENT CORPORATION**

As indicated in Note 1, the Liberty Community Development Corporation (LCDC) is a non-profit industrial development corporation whose purpose is to promote economic development within the City of Liberty. Due to the control and financial dependence exerted by the City over the Corporation, that entity is considered a component unit of the City for financial reporting purposes, and its financial activity is included in the accompanying financial statements as a special revenue fund. The Corporation is funded by a one-half (1/2) cent sales tax which became effective as of October 1995. During 2014, LCDC issued \$3.2 million of sales tax revenue bonds for a street construction project. The accompanying financial statements include an LCDC debt service fund associated with the bonds. During 2020, LCDC funded municipal golf course improvements of \$0.3 million, and funded various smaller capital expenditures of the City.

**NOTE 12 – JOINT OPERATING AGREEMENT, PORT OF LIBERTY**

Commencing in 1968, the City of Liberty entered into a joint operating agreement with the Chambers-Liberty Counties Navigation District (the District) which established certain terms with respect to the operation of the Port of Liberty (the Port). The Port facilities were constructed on land owned jointly by the City and the District, and the board of commissioners of the Port are appointed jointly by the City and the District, but neither entity can unilaterally appoint a majority of the board. The board of the Port is responsible for selection of management, development of a budget, and for continuing operations of the Port. The City does not account for revenues or expenditures for Port activities. The Port of Liberty has separate audited financial statements which may be obtained by contacting Port officials.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 13 – INTERGOVERNMENTAL REVENUES AND GRANTS**

The City received funding from federal and state programs as well as private grants as follows:

General Fund:	
Covid Stimulus - HUD	\$25,823
State Coronavirus Relief Funds	536,201
County Fire Aid	24,583
Division of Emergency Management - Emergency Management Performance Grant	27,060
Indigent Defense Fee	956
Police – LEOSE	2,131
Fire- LEOSE	797
FEMA – (current year \$20,546)	334,465
Texas A&M Forest Service Grants	9,887
Library Grants	513
Total General Fund	<u>\$962,416</u>
Special Revenue Funds:	
CDBG – Harvey Recovery	\$40,047
HMPG – Floodwall and Levee Grant	70,263
Airport – TX DOT Ramp Grant and Other	50,144
Total Special Revenue Funds	<u>\$160,454</u>

During fiscal 2019, the City received additional funding from FEMA for the flood disaster that occurred in 2016. The expenditures for this grant were incurred at that time and recovery of expenditures from a grant had been deemed uncertain in 2016. Additionally, the City was notified in 2020 that amounts are due back to FEMA for Hurricane Ike funding from 2008 of approximately \$220,000. The City had already recorded a payable of approximately \$100,000 in 2019 related to this. An additional payable of approximately \$120,000 was recorded in 2020 and reflected as a reduction of grant income.

**NOTE 14 – RISK MANAGEMENT AND CONTINGENCIES**

The City is exposed to various risks of losses related to torts; theft, damage, or destruction of assets; errors and omission; injuries to employees or others; and natural disasters. The City's primary risk management activity is to maintain various types of insurance coverage to cover any significant losses that might be incurred.

The City is contingently liable with respect to claims or litigation arising from the ordinary course of operations. The settlement of such claims would require budget appropriations of future revenues. City officials have asserted that they have no significant pending or threatened litigation, or claims against the City that would have a material adverse effect on the financial position of the City. Federal and State funds received during the current year and prior years through various grant programs are subject to audit by the applicable agencies. The City does not anticipate any substantial disallowance of project costs for any of the projects.

During March 2020, the Coronavirus 19 (COVID-19) was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries were severely impacted for months. The City continues to carefully monitor the situation and evaluate its options during this event. The President of the United States, and the Governor of Texas have issued numerous executive orders relating to COVID-19 including imposed limitations on social gatherings and established occupancy limits for businesses. Possible financial impacts from Covid-19 include reduction of taxes collected (sales & property), decline in utility system collections, decline in economic growth, and lowering of property values. As of September 30, 2020, the City has not experienced a negative financial impact from the pandemic.

**CITY OF LIBERTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 15 – SPECIAL ITEMS**

As discussed in Note 10, the City is a member of SRMPA for electrical power purposes. In 2012, SRMPA entered into supplemental agreements to sell excess electrical capacity to third parties. Such agreements were named the "Cambridge Project" and the activities are not commingled with the normal operation of SRMPA. During 2020, the City received \$6.0 million from SRMPA for Cambridge Project net profits.

**NOTE 16 - SUBSEQUENT EVENT**

Subsequent to September 30, 2020, the City issued \$6.74 million in General Obligation Refunding Bonds. The bonds carry an interest rate of 3-4% and are payable over ten years. The proceeds from the sale of the bonds were used to refund a portion of the City's outstanding obligations as follows:

Governmental Activities:

Combination Tax and Revenue Certificates of Obligation, Series 2010A	\$2,935,000
Combination Tax and Revenue Certificates of Obligation, Series 2012	<u>1,050,000</u>
	<u>\$3,985,000</u>

Business-type Activities:

Tax & Revenue Certificates of Obligation, Series 2007	<u>\$3,255,000</u>
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The new bonds are anticipated to be paid from the general revenues of the City.

As a result of this refunding, future principal and interest requirements to retire the City's general long-term bonds and certificates of obligation are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2021	\$1,035,000	\$484,928	\$1,519,928
2022	1,350,000	402,443	1,752,443
2023	1,400,000	315,280	1,715,280
2024	1,445,000	266,205	1,711,205
2025	1,200,000	219,130	1,419,130
2026-2030	5,490,000	612,209	6,102,209
2031-2035	2,310,000	170,228	2,480,228
2036	470,000	4,935	474,935
Total	<u>\$14,700,000</u>	<u>\$2,475,358</u>	<u>\$17,175,358</u>

Additionally, future principal and interest requirements to retire the proprietary funds debt obligations are as follows:

<u>Water &amp; Wastewater Fund</u>			
Fiscal Year	Principal	Interest	Total Debt Service
2021	\$600,000	\$90,015	\$690,015
2022	180,000	4,975	184,975
2023	180,000	4,543	184,543
2024	185,000	3,674	188,674
2025	185,000	2,408	187,408
2026-2028	185,000	845	185,845
Total	<u>\$1,515,000</u>	<u>\$106,460</u>	<u>\$1,621,460</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LIBERTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL**  
**AND MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	General Fund(A)			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>				
Ad Valorem Taxes	\$2,390,000	\$2,390,000	\$2,321,948	\$(68,052)
Sales Tax	2,150,000	2,150,000	2,234,263	84,263
Other Taxes	210,000	210,000	207,027	(2,973)
Payments in Lieu of Taxes	400,000	400,000	438,424	38,424
Fines & Forfeitures	235,700	235,700	197,468	(38,232)
Investment Income	9,500	9,500	25,790	16,290
Licenses, Fees, & Rents	1,202,250	1,202,250	1,083,229	(119,021)
Intergovernmental Transfers & Grants	75,200	75,200	962,416	887,216
Other Revenues & Receipts	389,010	389,010	1,668,682	1,279,672
<b>TOTAL REVENUES</b>	<b>7,061,660</b>	<b>7,061,660</b>	<b>9,139,247</b>	<b>2,077,587</b>
<b>EXPENDITURES:</b>				
Administration & City Council	1,642,365	1,642,365	1,366,553	275,812
Business & Support Services	996,030	996,030	963,215	32,815
Economic Development/Tourism	-	-	-	-
Public Health & Safety:				
Fire	2,594,654	2,594,654	2,455,367	139,287
Police	2,390,603	2,390,603	2,335,852	54,751
Municipal Court	214,800	214,800	182,158	32,642
Animal Control	153,350	153,350	135,022	18,328
Library	469,490	469,490	454,153	15,337
Streets	863,118	863,118	666,652	196,466
Maintenance	93,565	93,565	86,367	7,198
Parks & Recreation	375,570	375,570	284,178	91,392
Inspection Services	196,560	196,560	193,500	3,060
Capital Expenditures(B)	500,000	500,000	879,689	(379,689)
Disaster Recovery	-	-	323,316	(323,316)
Debt Service	-	-	10,827	(10,827)
<b>TOTAL EXPENDITURES</b>	<b>10,490,105</b>	<b>10,490,105</b>	<b>10,336,849</b>	<b>153,256</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(3,428,445)</b>	<b>(3,428,445)</b>	<b>(1,197,602)</b>	<b>2,230,843</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers from Other Funds	3,428,445	3,428,445	2,322,579	(1,105,866)
Transfers to Other Funds	-	-	(71,387)	(71,387)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>3,428,445</b>	<b>3,428,445</b>	<b>2,251,192</b>	<b>(1,177,253)</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES</b>	<b>-</b>	<b>-</b>	<b>1,053,590</b>	<b>1,053,590</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>3,949,317</b>	<b>3,949,317</b>	<b>3,949,317</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$3,949,317</b>	<b>\$3,949,317</b>	<b>\$5,002,907</b>	<b>\$1,053,590</b>

- (A) General Fund Budgetary information includes Fixed Asset Replacement Fund  
 (B) Additional capital expenditures are budgeted by department  
 (C) LCDC Budgetary information includes LCDC debt service

The accompanying Independent Auditor's Report should be read with this additional information.

Liberty Community Development Corporation(C)			
Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-
\$1,000,000	\$1,000,000	\$1,114,657	\$114,657
-	-	-	-
10,000	10,000	26,947	16,947
-	-	-	-
-	-	-	-
1,010,000	1,010,000	1,141,604	131,604

-	-	-	-
199,150	199,150	112,033	87,117
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
235,750	235,750	265,362	(29,612)
434,900	434,900	377,395	57,505
575,100	575,100	764,209	189,109
-	-	44,898	44,898
(575,100)	(575,100)	(489,100)	86,000
(575,100)	(575,100)	(444,202)	130,898
-	-	320,007	320,007
2,757,474	2,757,474	2,757,474	-
\$2,757,474	\$2,757,474	\$3,077,481	\$320,007

Debt Service			
Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
\$1,347,000	\$1,347,000	\$1,271,226	\$(75,774)
-	-	-	-
-	-	-	-
55	55	21,831	21,776
-	-	-	-
-	-	-	-
1,347,055	1,347,055	1,293,057	(53,998)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,286,556	1,286,556	1,285,805	751
1,286,556	1,286,556	1,285,805	751
60,499	60,499	7,252	(53,247)
-	-	-	-
-	-	-	-
60,499	60,499	7,252	(53,247)
2,371,055	2,371,055	2,371,055	-
\$2,431,554	\$2,431,554	\$2,378,307	\$(53,247)



**CITY OF LIBERTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL**  
**AND MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Capital Projects(A)			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES:</u></b>				
Ad Valorem Taxes	-	-	-	-
Sales Tax	-	-	-	-
Other Taxes	-	-	-	-
Fines & Forfeitures	-	-	-	-
Investment Income	-	-	\$35,819	\$35,819
Licenses, Fees, & Rents	-	-	-	-
Intergovernmental Transfers & Grants	-	-	-	-
Other Revenues & Receipts	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	\$35,819	\$35,819
<b><u>EXPENDITURES:</u></b>				
Administration & City Council	-	-	-	-
Business & Support Services	-	-	-	-
Economic Development/Tourism	-	-	-	-
Public Health & Safety:				
Fire	-	-	-	-
Police	-	-	-	-
Municipal Court	-	-	-	-
Animal Control	-	-	-	-
Library	-	-	-	-
Streets	-	-	-	-
Maintenance	-	-	-	-
Parks & Recreation	-	-	-	-
Inspection Services	-	-	-	-
Capital Expenditures	-	-	1,335,585	(1,335,585)
Disaster Recovery	-	-	-	-
Debt Service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	1,335,585	(1,335,585)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	-	-	(1,299,766)	(1,299,766)
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	(565,793)	(565,793)
<b>TOTAL OTHER FINANCING SOURCES</b>	-	-	(565,793)	(565,793)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES</b>	-	-	(1,865,559)	(1,865,559)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	3,547,940	-
<b>FUND BALANCES, END OF YEAR</b>	-	-	\$1,682,381	\$(1,865,559)

(A) The Capital Projects Fund was funded with the proceeds from the Certificates of Obligation, 2016 issuance. No additional sources of funding are budgeted.

**CITY OF LIBERTY, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2020**

	2019	2018	2017	2016
<b>Total Pension Liability</b>				
Service Cost	\$608,445	\$554,261	\$555,605	\$520,691
Interest (on the Total Pension Liability)	1,083,968	1,036,711	991,341	935,272
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(59,406)	(272,717)	(242,896)	(76,539)
Change of Assumptions	17,800	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(641,213)	(649,270)	(613,204)	(519,266)
<b>Net Change in Total Pension Liability</b>	<b>1,009,594</b>	<b>668,985</b>	<b>690,846</b>	<b>860,158</b>
<b>Total Pension Liability – Beginning</b>	<b>16,075,164</b>	<b>15,406,179</b>	<b>14,715,333</b>	<b>13,855,175</b>
<b>Total Pension Liability – Ending (a)</b>	<b>\$17,084,758</b>	<b>\$16,075,164</b>	<b>\$15,406,179</b>	<b>\$14,715,333</b>
<b>Plan Fiduciary Net Position</b>				
Contributions – Employer	\$877,584	\$832,343	\$837,384	\$735,499
Contributions – Employee	343,754	310,635	311,887	290,194
Net Investment Income	1,631,316	(310,700)	1,197,456	515,312
Benefit Payments, Including Refunds of Employee Contributions	(641,213)	(649,270)	(613,204)	(519,266)
Administrative Expense	(9,216)	(6,005)	(6,210)	(5,824)
Other	(276)	(315)	(315)	(314)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,201,949</b>	<b>176,688</b>	<b>1,726,998</b>	<b>1,015,601</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b>10,550,163</b>	<b>10,373,475</b>	<b>8,646,477</b>	<b>7,630,876</b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>\$12,752,112</b>	<b>\$10,550,163</b>	<b>\$10,373,475</b>	<b>\$8,646,477</b>
<b>Net Pension Liability – Ending (a) – (b)</b>	<b>\$4,332,646</b>	<b>\$5,525,001</b>	<b>\$5,032,704</b>	<b>\$6,068,856</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>74.64%</b>	<b>65.63%</b>	<b>67.33%</b>	<b>58.76%</b>
<b>Covered Employee Payroll</b>	<b>\$4,910,776</b>	<b>\$4,437,636</b>	<b>\$4,455,530</b>	<b>\$4,145,627</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>88.23%</b>	<b>124.50%</b>	<b>112.95%</b>	<b>146.39%</b>

The accompanying Independent Auditor's Report should be read with this additional information.

**CITY OF LIBERTY, TEXAS****SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2020**

	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$517,416	\$318,408
Interest (on the Total Pension Liability)	863,571	780,406
Changes of Benefit Terms	-	4,030,494
Difference Between Expected and Actual Experience	53,707	325,260
Change of Assumptions	530,215	-
Benefit Payments, Including Refunds of Employee Contributions	(375,511)	(295,510)
<b>Net Change in Total Pension Liability</b>	1,589,398	5,159,058
<b>Total Pension Liability – Beginning</b>	12,265,777	7,106,719
<b>Total Pension Liability – Ending (a)</b>	<u>\$13,855,175</u>	<u>\$12,265,777</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – Employer	\$732,389	\$201,943
Contributions – Employee	304,618	204,251
Net Investment Income	10,273	371,202
Benefit Payments, Including Refunds of Employee Contributions	(375,511)	(295,510)
Administrative Expense	(6,261)	(3,875)
Other	(308)	(319)
<b>Net Change in Plan Fiduciary Net Position</b>	665,200	477,692
<b>Plan Fiduciary Net Position – Beginning</b>	6,965,676	6,487,984
<b>Plan Fiduciary Net Position – Ending (b)</b>	<u>\$7,630,876</u>	<u>\$6,965,676</u>
<b>Net Pension Liability – Ending (a) – (b)</b>	<u>\$6,224,299</u>	<u>\$5,300,101</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<u>55.08%</u>	<u>56.79%</u>
<b>Covered Employee Payroll</b>	<u>\$4,351,691</u>	<u>\$4,085,010</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u>143.03%</u>	<u>129.75%</u>

The accompanying Independent Auditor's Report should be read with this additional information.

**CITY OF LIBERTY, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS -**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially Determined Contribution	\$935,280	\$861,152	\$830,396	\$819,924
Contributions in Relation to the Actuarially Determined Contribution	<u>935,280</u>	<u>861,152</u>	<u>830,396</u>	<u>819,924</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	<u>\$5,335,230</u>	<u>\$4,762,279</u>	<u>\$4,426,509</u>	<u>\$4,419,225</u>
Contributions as a Percentage of Covered Employee Payroll	<u>17.50%</u>	<u>18.08%</u>	<u>18.76%</u>	<u>18.55%</u>

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January thirteen months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

**Notes** Adopted restricted prior service credit.

**CITY OF LIBERTY, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS -**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$744,092	\$605,241
Contributions in Relation to the Actuarially Determined Contribution	<u>744,092</u>	<u>605,241</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>
Covered Employee Payroll	<u>\$4,253,975</u>	<u>\$4,424,680</u>
Contributions as a Percentage of Covered Employee Payroll	<u>17.49%</u>	<u>13.68%</u>

The accompanying Independent Auditor's Report should be read with this additional information.

## SUPPLEMENTAL SECTION

**CITY OF LIBERTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	Police Seizure Fund	Airport Fund	Hotel-Motel/ Tourism Fund	Golf Course Fund	CDBG Harvey Recovery Fund
<b><u>ASSETS</u></b>					
Cash and Investments	\$49,841	\$59,807	\$33,978	\$8,299	-
Cash and Investments - Restricted	-	-	-	-	\$50,189
Due from State	-	1,305	-	-	-
Other Receivables	-	-	-	127	-
Interfund Receivable	-	-	-	38,000	-
<b>TOTAL ASSETS</b>	<b>49,841</b>	<b>61,112</b>	<b>33,978</b>	<b>46,426</b>	<b>50,189</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$49,841</b>	<b>\$61,112</b>	<b>\$33,978</b>	<b>\$46,426</b>	<b>\$50,189</b>
<b><u>LIABILITIES</u></b>					
Accounts Payable	-	\$2,263	-	\$1,709	\$22,021
Due to State	-	-	-	1,795	-
Interfund Payable	-	-	-	-	132
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2,263</b>	<b>-</b>	<b>3,504</b>	<b>22,153</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>					
Restricted- Capital Projects	-	-	-	-	-
Committed Fund Balances	\$49,841	58,849	\$33,978	42,922	28,036
<b>TOTAL FUND BALANCES</b>	<b>49,841</b>	<b>58,849</b>	<b>33,978</b>	<b>42,922</b>	<b>28,036</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$49,841</b>	<b>\$61,112</b>	<b>\$33,978</b>	<b>\$46,426</b>	<b>\$50,189</b>

The accompanying Independent Auditor's Report should be read with this additional information.

<u>Municipal Library Trust</u>	<u>Library Memorial Fund</u>	<u>Capital Projects Fund</u>	<u>HMPG Flood Wall &amp; Levee</u>	<u>Mitigation Project Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$283,627	\$50,915	\$154,809	-	-	\$641,276
-	-	-	-	-	50,189
-	-	-	\$275,834	-	277,139
-	-	-	-	-	127
-	-	-	46,549	\$12,960	97,509
<u>283,627</u>	<u>50,915</u>	<u>154,809</u>	<u>322,383</u>	<u>12,960</u>	<u>1,066,240</u>
-	-	-	-	-	-
<u>\$283,627</u>	<u>\$50,915</u>	<u>\$154,809</u>	<u>\$322,383</u>	<u>\$12,960</u>	<u>\$1,066,240</u>
-	-	-	\$77,070	\$12,960	\$116,023
-	-	-	-	-	1,795
-	-	-	245,313	-	245,445
-	-	-	<u>322,383</u>	<u>12,960</u>	<u>363,263</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$283,627</u>	<u>\$50,915</u>	<u>\$154,809</u>	<u>-</u>	<u>-</u>	<u>702,977</u>
<u>283,627</u>	<u>50,915</u>	<u>154,809</u>	<u>-</u>	<u>-</u>	<u>702,977</u>
<u>\$283,627</u>	<u>\$50,915</u>	<u>\$154,809</u>	<u>\$322,383</u>	<u>\$12,960</u>	<u>\$1,066,240</u>



**CITY OF LIBERTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Police Seizure Fund	Airport Fund	Hotel-Motel/ Tourism Fund	Golf Course Fund	CDBG Harvey Recovery Fund
<b>REVENUES:</b>					
Other Taxes	-	-	\$45,101	-	-
Forfeiture	\$4,569	-	-	-	-
Investment Income	581	-	-	-	-
Rents	-	\$68,214	-	-	-
Intergovernmental Grants	-	50,144	-	-	\$40,047
Grants and Donations	-	-	7,050	-	-
Other Revenues & Receipts	-	184,088	286	\$120,467	-
<b>TOTAL REVENUES</b>	<b>5,150</b>	<b>302,446</b>	<b>52,437</b>	<b>120,467</b>	<b>40,047</b>
<b>EXPENDITURES:</b>					
Economic Development / Tourism	-	-	18,459	-	-
Public Health and Safety:					
Police	7,401	-	-	-	-
Library	-	-	-	-	-
Airport	-	220,624	-	-	-
Golf Course	-	-	-	427,928	-
Capital Expenditure	-	80,967	-	226,548	53,970
<b>TOTAL EXPENDITURES</b>	<b>7,401</b>	<b>301,591</b>	<b>18,459</b>	<b>654,476</b>	<b>53,970</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,251)</b>	<b>855</b>	<b>33,978</b>	<b>(534,009)</b>	<b>(13,923)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	-	-	-	533,393	42,091
Operating Transfers Out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533,393</b>	<b>42,091</b>
Net Change in Fund Balance	(2,251)	855	33,978	(616)	28,168
Fund Balances, Beginning of Year	52,092	57,994	-	43,538	(132)
<b>Fund Balances, End of Year</b>	<b>\$49,841</b>	<b>\$58,849</b>	<b>\$33,978</b>	<b>\$42,922</b>	<b>\$28,036</b>

The accompanying Independent Auditor's Report should be read with this additional information.

Municipal Library Trust	Library Memorial Fund	Capital Projects Fund	HMPG Flood Wall & Levee	Mitigation Project Fund	Total Nonmajor Special Revenue Funds
-	-	-	-	-	\$45,101
-	-	-	-	-	4,569
\$13,529	\$59	-	-	-	14,169
-	-	-	-	-	68,214
-	-	-	\$70,263	-	160,454
11,130	2,424	-	-	-	20,604
-	-	-	-	-	304,841
24,659	2,483	-	70,263	-	617,952
-	-	-	-	-	18,459
-	-	-	-	-	7,401
500	17,977	-	-	-	18,477
-	-	-	-	-	220,624
-	-	-	-	-	427,928
-	-	\$875,871	93,684	\$13,332	1,344,372
500	17,977	875,871	93,684	13,332	2,037,261
24,159	(15,494)	(875,871)	(23,421)	(13,332)	(1,419,309)
-	7,458	529,000	23,421	13,332	1,148,695
(7,458)	-	-	-	-	(7,458)
(7,458)	7,458	529,000	23,421	13,332	1,141,237
16,701	(8,036)	(346,871)	-	-	(278,072)
266,926	58,951	501,680	-	-	981,049
\$283,627	\$50,915	\$154,809	\$-	\$-	\$702,977

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## **OTHER FINANCIAL AND STATISTICAL INFORMATION**

**CITY OF LIBERTY, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
2010-2011	\$2,686,971	\$2,505,852	93%	\$92,271	\$2,598,123
2011-2012	2,786,389	2,647,312	95%	116,076	2,763,388
2012-2013	3,007,120	2,922,853	97%	122,703	3,045,556
2013-2014	3,249,316	3,040,377	94%	110,391	3,150,768
2014-2015	3,352,700	3,065,321	92%	253,511	3,318,832
2015-2016	3,330,057	3,149,898	95%	228,260	3,378,158
2016-2017	3,453,243	3,286,123	95%	92,157	3,378,280
2017-2018	3,646,335	3,455,603	95%	100,262	3,555,865
2018-2019	3,875,803	3,670,787	95%	101,361	3,772,148
2019-2020	3,958,651	3,319,345	84%	109,645	3,428,990

<u>Total Collections As Percent of Current Levy</u>	<u>Tax Adjustments</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Percent of Levy</u>
96.7%	\$(41,366)	\$833,965	31.0%
99.2%	(19,506)	837,460	30.0%
101.3%	(32,539)	836,666	27.8%
97.0%	(11,524)	923,690	28.4%
99.0%	3,332	960,890	28.7%
101.4%	(65,654)	847,136	25.4%
97.8%	(12,881)	909,218	26.3%
97.5%	(16,453)	983,236	27.0%
97.3%	(55,544)	1,031,664	26.6%
86.6%	(50,950)	1,510,375	38.1%

**CITY OF LIBERTY, TEXAS**  
**GENERAL FUND REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Ad Valorem and Other Taxes</u>	<u>Sales Tax</u>	<u>In Lieu of Taxes</u>	<u>Inter-Governmental Transfers and Grants</u>
2010-2011	\$1,701,344	\$2,052,692	-	\$112,083
2011-2012	1,727,048	2,002,343	-	193,121
2012-2013	2,026,426	2,056,737	-	54,208
2013-2014	2,116,727	2,302,566	-	233,216
2014-2015	2,323,762	2,023,822	-	66,949
2015-2016	2,371,085	1,909,135	-	105,513
2016-2017	2,210,126	1,993,516	-	84,409
2017-2018	2,436,693	2,007,052	-	555,384(a)
2018-2019	2,665,504	2,078,628	\$523,818	840,745(b)
2019-2020	2,528,975	2,234,263	438,424	1,083,464(c)

(a) Includes \$491,491 of FEMA recovery for Hurricane Harvey disaster costs in 2017.

(b) Includes \$797,686 of FEMA recovery for 2016 flooding disasters.

(c) Includes \$562,024 of covid relief funds and \$334,465 of FEMA recovery primarily for 2008 Hurricane disaster.

(d) Includes \$600,000 library cost settlement.

(e) Includes \$1,165,000 library cost settlement.

<u>Fines &amp; Forfeitures</u>	<u>License, Fees and Rents</u>	<u>Other Revenue</u>	<u>Total</u>
\$73,196	\$654,497	\$60,202	\$4,654,014
84,790	710,399	325,475	5,043,176
128,188	769,441	260,639	5,295,639
186,588	793,362	306,148	5,938,607
212,030	938,002	252,182	5,816,747
232,841	989,017	122,493	5,730,084
287,671	917,864	265,548	5,759,134
237,403	948,612	157,480	6,342,624
208,803	1,109,559	919,347(d)	8,346,404
197,468	1,083,229	1,694,472(e)	9,139,247



**CITY OF LIBERTY, TEXAS**  
**GENERAL FUND EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Administration</u>	<u>Street</u>	<u>Fire and Emergency Services</u>	<u>Municipal Court</u>	<u>Cultural Center Library</u>
2010-2011	\$804,830	\$661,439	\$1,368,132	\$104,603	\$397,841
2011-2012	878,208	685,418	1,457,042	95,137	418,470
2012-2013	903,017	668,383	1,438,913	143,024	431,771
2013-2014	971,667	663,206	1,601,881	158,924	440,912
2014-2015	1,008,313	732,961	1,979,890	171,142	436,254
2015-2016	1,057,252	647,239	1,993,663	148,170	647,239
2016-2017	1,114,905	757,464	1,984,960	188,320	769,117
2017-2018	1,160,749	778,490	2,015,486	128,010	852,546
2018-2019	1,261,659	776,062	2,095,220	155,478	679,436
2019-2020	1,366,553	666,652	2,455,367	182,158	454,153

(a) Includes \$648,451 of hurricane disaster recovery costs.

(b) Includes \$330,955 of hurricane disaster recovery costs and \$1,257,053 capital expenditures.

<u>Parks and Recreation</u>	<u>Maintenance</u>	<u>Police</u>	<u>Other</u>	<u>Totals</u>
\$259,119	\$69,569	\$1,580,218	\$769,329	\$6,015,080
229,486	100,003	1,718,548	1,360,662	6,942,974
232,114	79,702	1,723,889	1,340,978	6,961,791
272,721	80,105	1,758,414	1,893,209	7,841,039
282,727	92,746	1,899,551	1,465,849	8,069,433
294,029	93,679	2,124,228	1,524,630	8,530,129
269,292	88,709	2,270,494	2,684,848(a)	10,128,109
280,456	96,897	2,362,355	2,725,679(b)	10,400,668
275,770	93,984	2,302,506	2,807,062	10,447,177
284,178	86,367	2,335,852	2,505,569	10,336,849

**CITY OF LIBERTY, TEXAS**  
**ELECTRIC FUND REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Service Sales (a)</u>	<u>Interest Earned</u>	<u>Other Income</u>	<u>Total Income</u>
2010-2011	\$16,956,294	\$21,448	\$2,518	\$16,980,260
2011-2012	17,679,763	11,602	20,357	17,711,722
2012-2013	16,894,645	9,625	2,151	16,906,421
2013-2014	17,913,089	7,137	8,214	17,928,440
2014-2015	17,348,117	13,276	5,135	17,366,528
2015-2016	15,472,175	39,944	9,201	15,521,320
2016-2017	15,903,554	43,907	-	15,947,461
2017-2018	17,201,644	163,448	3,826	17,368,918
2018-2019	16,704,246	192,052	423	16,896,721
2019-2020	14,743,311	193,273	-	14,936,584

(a) Net of change in allowance for doubtful accounts.

**CITY OF LIBERTY, TEXAS**  
**ELECTRIC FUND EXPENSES**  
**LAST TEN FISCAL YEARS**

Operating Expenses

<u>Fiscal Year</u>	<u>Power Purchases</u>	<u>Others</u>	<u>Total Operating</u>	<u>Depreciation</u>	<u>Total Expenses</u>
2010-2011(b)	\$13,853,970(a)	\$815,192	\$14,669,162	\$136,565	\$14,805,727
2011-2012	15,004,801(a)	911,161	15,915,962	144,964	16,060,926
2012-2013	14,190,481(a)	788,269	14,978,750	131,506	15,110,256
2013-2014	15,838,927(a)	673,499	16,512,426	127,957	16,640,383
2014-2015	14,644,277(a)	891,610	15,535,887	176,238	15,712,125
2015-2016	12,780,405(a)	1,143,796	13,924,201	177,981	14,102,182
2016-2017	13,976,373(a)	857,681	14,834,054	125,331	14,959,385
2017-2018	15,228,979(a)	902,203	16,131,182	223,356	16,354,538
2018-2019	14,276,542(a)	1,299,814	15,576,356	221,082	15,797,438
2019-2020	12,941,606(a)	1,319,633	14,261,239	167,825	14,429,064

(a) Net of rebate.

(b) The City added an industrial customer in 2011.

**CITY OF LIBERTY, TEXAS**  
**WATER AND WASTEWATER FUND**  
**REVENUES BY SOURCE AND EXPENSES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Revenues				
<u>Fiscal Year</u>	<u>Water Service (a)</u>	<u>Wastewater Service</u>	<u>Other Income</u>	<u>Total Income</u>
2010-2011	\$1,608,260	\$1,217,131	\$60,644	\$2,886,035
2011-2012	1,586,210	1,205,708	16,941	2,808,859
2012-2013	1,624,944	1,201,261	15,837	2,842,042
2013-2014	1,628,574	1,212,803	20,791	2,862,168
2014-2015	1,610,083	1,319,268	13,512	2,942,863
2015-2016	1,640,900	1,564,119	14,142	3,219,161
2016-2017	1,727,953	1,644,154	100,114	3,472,221
2017-2018	2,045,035	1,721,199	227,658	3,993,892
2018-2019	1,942,486	1,728,552	132,601	3,803,639
2019-2020	2,005,679	1,772,168	35,593	3,813,440

(a) Net of change in allowance for doubtful accounts.

Expenses

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<u>Operating Expenses</u>	<u>Depreciation</u>	<u>Total Expenses</u>
\$1,271,264	\$314,826	\$1,586,090
1,353,264	326,402	1,679,666
1,446,388	362,535	1,808,923
1,416,297	358,746	1,775,043
1,605,232	432,982	2,038,214
1,772,880	411,213	2,184,093
1,982,463	452,059	2,434,522
1,673,049	668,887	2,341,936
1,953,301	815,708	2,769,009
2,034,573	870,048	2,904,621

**CITY OF LIBERTY, TEXAS**  
**SOLID WASTE FUND**  
**REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Operating Expenses</u>
2010-2011	\$655,041	\$439,926
2011-2012	631,769	473,439
2012-2013	656,313	492,041
2013-2014	711,385	541,861
2014-2015	727,637	560,293
2015-2016	738,515	566,548
2016-2017	736,429	560,215
2017-2018	747,090	575,154
2018-2019	752,863	567,686
2019-2020	763,122	553,912

The accompanying Independent Auditor's Report should be read with this additional information.

## FEDERAL AWARDS SECTION



SWAIM, BRENTS & ASSOCIATES, P.C.  
2804 Jefferson Drive  
Liberty, Texas 77575  
(936) 336-7205

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council  
City of Liberty, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Texas (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Swaim, Brents & Associates, P.C.*

Swaim, Brents & Associates, P.C.  
Liberty, Texas  
February 24, 2021